

CITY OF uMHLATHUZE



ANNUAL FINANCIAL STATEMENTS
for the year ended
30 JUNE 2014

ANNUAL FINANCIAL STATEMENTS

FOR

CITY OF uMHLATHUZE

30 JUNE 2014

Contact Information:

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Manager:**

Dr NJ Sibeko

Chief Financial Officer:

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REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND COUNCIL ON UMHLATHUZE MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Umhlathuze Municipality set out on pages XX to XX, which comprise, the statement of financial position as at 30 June 2014, the statement of financial performance, statement of changes in net assets, the cash flow statement and the statement of comparison of budget information with actual information for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2013 (Act No. 2 of 2013) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Umhlathuze Municipality as at 30 June 2014, and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Material losses

8. As disclosed in note 26 to the financial statements, material losses to the amount of R25,09 million (17,5 million kilolitres) were incurred as a result of water losses incurred at the municipality.

Material underspending of the capital budget

9. As disclosed in the statement of comparison of budget and actual amounts and note 43.2.4 to the financial statements, the municipality has materially underspent the capital budget to the amount of R213 million. This amount was made up of R120 million which related to a tender objection on a rural sanitation project and the balance of R93 million was attributable to poor planning and execution of capital projects.

Additional matters

10. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unaudited supplementary schedules

11. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Unaudited disclosure notes

12. In terms of section 125(2) (e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

13. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

14. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected development priorities presented in the annual performance report of the municipality for the year ended 30 June 2014:
- Development priority 2: Basic service delivery and infrastructure on pages x to x
15. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
16. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information*.
17. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
18. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected development priorities.

Additional matters

19. Although no material findings concerning the usefulness and reliability of the performance information were identified in the annual performance report, I draw attention to the following matters below.

Achievement of planned targets

20. Refer to the annual performance report on pages XX to XX for information on the achievement of the planned targets for the year.

Unaudited supplementary schedules

21. The supplementary information set out on pages x to x does not form part of the annual performance report and is presented as additional information. I have not audited these schedules and, accordingly, I do not express a conclusion thereon.

Compliance with legislation

22. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

Internal control

23. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. I did not identify any deficiencies in internal control which I considered sufficiently significant for inclusion in this report.

OTHER REPORTS

Investigations

24. One investigation into allegations of maladministration and corruption at uMhlathuze Municipality is currently being performed, relating to the 2012/13 financial year, by the Department of Co-operative Governance and Traditional Affairs (COGTA).

Auditor-General

Pietermaritzburg

28 November 2014



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

City of uMhlatuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

General Information

Members of the Council:	Position	Status
EF.F Mbatha	Mayor	Active
N.V Gumbi	Deputy Mayor	Active
M.S. Mnqayi	Speaker	Active
M. Lourens	Chief Whip	Active
Dr NJ Sibeko	Executive Committee	Active
D.A. Nxumalo	Executive Committee	Active
M.M. Mbokazi	Executive Committee	Active
L.C.M Fourie	Executive Committee	Active
S.G. Mkhize	Executive Committee	Active
S.S. Simmadhri	Executive Committee	Active
M. Sookrooo	Executive Committee	Active
P.N. Kwela	Executive Committee	Active
N.R Cele	Executive Committee	Active
A.H. Mthembu	Executive Committee	Active
A.S. Dawood	Chairperson of Section 79 Committee	Active
S.N. Hlophe	Chairperson of Section 79 Committee	Active
K. Sukreben	Chairperson of Section 79 Committee	Active
S.B. Xaba	Chairperson of Section 79 Committee	Active

The comprehensive list of councillors is available on the website

Municipal Manager:	Dr NJ Sibeko
Chief Financial Officer:	Mxolisi Kunene
Category of Local Authority:	B
Auditors:	Auditor-General of South Africa
Bankers	ABSA Bank
Registered Office:	5 Mark Strasse, Civic Centre Richards Bay 3900
Physical Address:	5 Mark Strasse, Civic Centre Richards Bay 3900
Postal Address:	P.Bag X1004 Richardsbay 3900

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STATEMENT OF THE MUNICIPAL MANAGER'S RESPONSIBILITY

The uMhlathuze Local Municipality, situated at 5 Mark Strasse, Richards Bay, is a category B municipality, established in terms of section 12(1) of the Municipal Structures Act, 1998 (Act No. 117 of 1998) and published in terms of the Provincial Government Notice 346 on 19 September 2000. The Local Government operations of the Municipality are assigned by section 156 and 229 of the Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996) and are defined specifically in terms of section 83 of the Municipal Structures Act.

I am responsible for the preparation of these annual financial statements, which are set out on pages 7 to 78, in terms of section 126(1) of the Municipal Finance Management Act, 2003 (Act No 56 of 2003) and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act, 1998 (Act No 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

As required by Section 45 of the Municipal Systems Act and Section 121(4)(a) and (b) of the Municipal Finance Management Act, the Annual Financial Statements were submitted to the Auditor-General South Africa (AGSA) on 31 August 2014.



Dr N.J. Sibeko
CITY MANAGER

DATE

31 August 2014

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Notes	2014 R	2013 RESTATED R
NET ASSETS AND LIABILITIES			
ASSETS			
Non-current Assets		4 348 341 843	4 291 790 519
Property, Plant and Equipment	9	4 198 725 743	4 142 445 419
Investment Property	11	134 573 715	135 312 126
Intangible Assets	10	12 159 663	11 187 676
Heritage Assets	8	2 723 695	2 488 594
Long-term Receivables	13	159 027	356 704
Current Assets		835 646 052	600 772 376
Inventory	7	72 999 497	75 503 288
Trade Receivables	12	316 529 263	239 462 934
Other Receivables	14	32 009 956	26 906 002
VAT	6	9 556 774	16 013 786
Current portion of Long-term Receivables	13	41 215	110 873
Cash and Cash Equivalents	15	404 509 347	242 775 493
Total Assets		5 183 987 895	4 892 562 895
NET ASSETS AND LIABILITIES			
Net Assets		3 727 401 344	3 529 495 812
Housing Development Fund	1	49 933 544	50 306 402
Accumulated Surplus		3 677 467 800	3 479 189 410
Non-current Liabilities		835 059 127	829 668 359
Long-term Liabilities	2	601 727 228	625 249 504
Post-employment medical aid benefits	30	233 331 899	204 418 855
Current Liabilities		621 527 424	533 398 724
Consumer Deposits	3	44 908 275	39 779 079
Trade and Other Payables	4	339 257 657	250 275 664
Provisions	31	20 390 933	23 317 157
Unspent Conditional Grants and Receipts	5	92 231 417	113 802 638
Current portion of Long-term Liabilities	2	124 739 142	106 224 186
Total Net Assets and Liabilities		5 183 987 895	4 892 562 895

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STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 R	2013 R
REVENUE			
Non-exchange Revenue		758 615 577	517 853 135
Property rates	16	279 678 867	239 616 753
Fines		59 985 915	10 549 626
Government grants and subsidies	18	357 615 705	253 530 276
Public Contributions	41	61 335 090	243 335
Reduction of post-employment benefit obligations	30	-	13 913 145
Exchange Revenue		1 735 696 612	1 522 801 737
Service charges	17	1 617 726 163	1 369 809 756
Rental of facilities and equipment		13 500 758	16 860 051
Interest earned - external investments		21 060 123	14 498 748
Interest earned - outstanding debtors	41	52 402	168 322
Licences and permits		1 744 063	1 932 878
Income for agency services		6 630 263	6 093 399
Other income	19	67 452 930	112 869 933
Gains on sale of land		7 529 910	-
Gains on disposal of property, plant and equipment		-	568 650
Total Revenue		2 494 312 189	2 040 654 872
EXPENDITURE			
Employee-related costs	20	480 990 214	437 125 880
Remuneration of councillors	21	21 408 271	17 147 836
Bad debts	12	67 968 747	3 646 893
Collections costs		2 529 018	117 821
Depreciation	9,11	241 712 732	343 657 602
Amortisation	10	2 627 456	1 657 881
Post-employment benefits expense	30	28 913 044	-
Conditional grant expenditure		14 715 691	9 060 384
Repairs and maintenance		75 129 244	65 438 417
Finance costs	22	71 144 663	79 985 065
Bulk purchases	23	1 051 625 801	937 246 910
Contracted services	41	100 640 944	92 101 054
Grants and subsidies paid	24	3 021 511	2 090 507
Loss on disposal of property, plant and equipment		-	469 904
General expenses	37	133 979 321	102 328 691
Total Expenditure		2 296 406 657	2 092 074 844
SURPLUS/ (DEFICIT) FOR THE YEAR		197 905 532	(51 419 972)

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

Notes	Housing Development Fund	Accumulated Surplus	Total
	R	R	R

2013

Balance at 30 June 2012	56 847 525	3 370 168 647	3 427 016 172
Inventory land not brought into account previously	-	240 000	240 000
Prior year loss on disposal of council property	-	(1 788)	(1 788)
Change in accounting policy	-	1 155 909	1 155 909
Recognised council properties depreciation for 2012	-	(61 752)	(61 752)
Correction of accumulated depreciation	-	110 342 675	110 342 675
Restated balance at 30 June 2012	56 847 525	3 481 843 691	3 538 691 216
Surplus/ (Deficit) for the year		(51 419 972)	(51 419 972)
Transfer to Housing Development Fund	(6 541 123)	6 541 123	-
Balance at 30 June 2013	50 306 402	3 436 964 842	3 487 271 244

2014

Balance at 30 June 2013	50 306 402	3 436 964 842	3 487 271 244
Inventory land not brought into account previously	-	800 000	800 000
Correction of accumulated depreciation	-	41 424 568	41 424 568
Restated Balance at 30 June 2014	50 306 402	3 479 189 410	3 529 495 812
Surplus/ (Deficit) for the year	-	197 905 532	197 905 532
Transfer to Housing Development Fund	(372 858)	372 858	-
Balance at 30 June 2014	49 933 544	3 677 467 800	3 727 401 344

City of uMhlathuze
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CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 R	2013 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		2 353 937 433	2 020 925 727
Cash paid to suppliers and employees		(1 886 489 778)	(1 661 330 860)
Cash generated from operations	25	467 447 655	359 594 867
Interest received		21 060 123	14 498 748
Interest paid		(71 144 663)	(79 985 065)
NET CASH FLOWS FROM OPERATING ACTIVITIES		417 363 115	294 108 550
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(250 889 276)	(115 036 478)
Proceeds on disposal of property, plant and equipment		-	2 192 983
Decrease/ (Increase) in non-current receivables		267 335	135 579
NET CASH FLOWS FROM INVESTING ACTIVITIES		(250 621 941)	(112 707 916)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		100 000 000	-
Repayment of borrowings		(105 007 318)	(95 838 873)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(5 007 318)	(95 838 873)
Net increase/ (decrease) in cash and cash equivalents		161 733 854	85 561 760
Cash and cash equivalents at the beginning of the year		242 775 493	157 213 733
Cash and cash equivalents at the end of the year	15	404 509 347	242 775 493

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2014

	Note	Actual	Approved Budget	Final Budget	Variance	Variance
		R'000	R'000	R'000	R'000	%
STATEMENT OF FINANCIAL POSITION						
	43.2.1					
Total current assets		835 646 052	606 201 000	721 166 000	(114 480 052)	-16%
Total non-current assets		4 348 341 843	4 511 594 000	4 618 714 000	270 372 157	5.85%
Total Assets		5 183 987 895	5 117 795 000	5 339 880 000	155 892 105	-10.02%
Total current liabilities		621 527 424	540 545 590	541 128 804	(80 398 620)	-15%
Total non-current liabilities		835 059 127	952 454 100	957 363 513	122 304 386	13%
Total Liabilities		1 456 586 551	1 492 999 690	1 498 492 317	41 905 766	(2.08%)
Total Net Assets		3 727 401 344	3 624 795 310	3 841 387 683	113 986 339	2.97%
Total Net Assets and Liabilities		5 183 987 895	5 117 795 000	5 339 880 000	155 892 105	0.88%
STATEMENT OF FINANCIAL PERFORMANCE						
	43.2.2					
Property rates		279 678 867	275 000 000	280 000 000	321 133	0.11%
Service charges		1 617 726 163	1 439 643 800	1 594 534 400	(23 191 763)	-1.45%
Rental of facilities and equipment		13 500 758	10 878 300	9 086 300	(4 414 458)	-48.59%
Interest earned - external investments		21 060 123	4 151 700	10 100 00	(10 960 123)	-108.51%
Interest earned - outstanding debtors		52 402	97 000	72 500	20 098	27.72%
Fines		59 985 915	10 102 200	9 302 200	(50 683 715)	-544.87%
Licences and permits		1 744 063	2 747 000	1 846 000	101 937	5.52%
Income for agency fees		6 630 263	5 800 000	6 200 000	(430 263)	-6.94%
Government grants and subsidies		357 615 705	313 332 400	479 646 300	122 030 596	25.44%
Public contributions		61 335 090	-	-	(61 335 090)	100.00%
Other income		67 452 930	28 201 300	29 117 000	(38 335 930)	-131.66%
Reduction on post-employment benefits		-	-	-	-	-
Gain on Sale of land		7 529 910	-	-	(7 529 910)	100%
Gain on Sale of Property, Plant and equipment		-	-	-	-	-
Total Revenue		2 494 312 189	2 091 453 700	2 419 904 700	(74 407 489)	-583%
Employee-related costs		480 990 214	508 764 400	496 490 000	18 499 000	3.70%
Remuneration of councillors		21 408 271	21 528 800	21 528 800	120 529	0.56%
Debt impairment		67 968 747	2 075 000	2 075 000	(65 893 747)	-3175.61%
Collection costs		2 529 018	80 000	2 120 000	(409 018)	-19.29%
Depreciation and amortisation		244 340 188	145 217 800	145 217 800	(99 122 388)	-68.26%
Conditional grant expenditure		14 715 691	15 301 000	19 486 000	4 770 309	24.48%
Repairs and maintenance		75 129 244	57 720 100	69 029 800	(6 099 444)	-8.84%
Finance costs		71 144 663	75 538 200	73 038 200	1 893 537	2.59%
Bulk purchases		1 051 625 801	928 881 400	1 057 967 400	6 341 599	0.60%
Contracted services		100 640 944	95 724 400	110 303 9006	9 662 956	8.75%
Grants and subsidies paid		3 021 511	9 903 700	10 216 300	7 194 789	70.42%
Post-Employment benefits expenses		28 913 044	-	-	(28 913)	100.00%
General expenses		133 979 321	128 679 300	163 325 500	29 346 179	17.97%
Total Expenditure		2 296 406 657	1 989 414 100	2 173 798 700	(122 607 957)	-3043%
Surplus/ (Deficit) for the year		197 905 532	102 039 600	247 707 000	49 801 468	20.10%

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2014

	Note	Actual R'000	Approved Budget R'000	Final Budget R'000	Variance R'000	Variance %
CASH FLOW STATEMENT	43.2.3					
Net cash from (used) operating		417 363 115	231 995 000	406 782 000	(10 581 115)	-3%
Net cash from (used) investing		(250 621 941)	(227 742 000)	(301 916 000)	(51 294 059)	17%
Net cash from (used) financing		(5 007 318)	(9 092 000)	(9 092 000)	(4 084 682)	45%
Net (decrease)/ increase in cash and cash equivalents		161 733 856	(4 839 000)	95 774 000	(65 959 856)	59%
CAPITAL EXPENDITURE	43.2.4					
Budget and Treasury Office		132 302	4 750 500	103 900	(28 402)	-27%
Community and Social Services		12 846 834	16 572 100	19 492 900	6 646 066	34%
Corporate Services		32 591 267	37 027 100	44 625 400	12 034 133	27%
Electricity		61 606 716	58 818 000	81 351 200	19 744 484	22%
Executive and Council		352 161	375 000	449 900	97 739	22%
Health		773 177	6 193 100	5 932 100	5 158 923	87%
Housing		5 755 664	-	26 244 000	20 488 336	78%
Planning and Development		85 634	155 600	111 600	25 966	23%
Public Safety		5 113 723	13 697 200	14 742 200	9 628 477	65%
Road Transport		32 235 801	37 779 600	29 511 100	(2 724 701)	9%
Sport and Recreation		9 301 426	24 693 300	27 468 700	18 167 274	66%
Waste Management		1 307 283	11 021 100	6 203 400	4 896 117	79%
Waste Water Management		62 642 067	72 259 600	71 353 950	8 707 883	12%
Water		79 627 230	55 372 400	140 393 250	60 766 020	43%
Total		304 375 285	338 713 600	467 983 600	163 608 315	35%

The actual capital expenditure amount does not include the contributed assets amount of R49,6 million.

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

1. BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003) with the exception of certain accounting policies adopted in accordance with International Accounting Standards (IAS).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 9	Revenue from Exchange Transactions
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of non-cash generating assets
GRAP 23	Revenue from Non-exchange transactions
GRAP 24	Presentation of budget information
GRAP 25	Employee benefits
GRAP 26	Impairment of cash generating assets
GRAP 31	Intangible Assets
GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
IPSAS 20	Related Party Disclosure

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand. The figures are rounded off to the nearest Rand.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. OFFSETTING

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

5. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been adopted early by the Municipality:

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
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**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (continued)**

- GRAP 18 Segment Reporting
- GRAP 20 Related Party Disclosures
- GRAP 108 Statutory Receivables

Management has considered all the of the above-mentioned GRAP standard issued but not yet effective and anticipates that the adoption of these standard will not have a significant impact on the financial position, financial performance or cash flows of the Municipality.

The following GRAP standards have been issued and effective but are not applicable to the Municipality:

- GRAP 4 The Effects of Changes in Foreign Exchange Rates
- GRAP 6 Consolidated and Separate Financial Statements
- GRAP 7 Investment in Associate
- GRAP 8 Interest in Joint Ventures
- GRAP 10 Financial Reporting in Hyperinflationary Economies
- GRAP 27 Agriculture

5.1. Significant accounting judgements, estimates and assumptions

The preparation of the Municipality's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Municipality's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements

Operating lease commitments – Municipality as lessor

The Municipality has entered into commercial property leases on its investment property portfolio. The Municipality has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

Depreciation and impairment

The Municipality depreciates its assets over their estimated useful lives taking into account residual values, where appropriate. The appropriateness of its assets' estimated useful lives, residual values and their depreciation methods are re-assessed on an annual basis. The actual lives of these assets and their respective residual values may vary depending on a variety of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account.

Management used their judgement in applying the internal and external impairment indicators to its assets. No impairment indicators were identified and as such the recoverable amounts of the aforementioned assets was not calculated.

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Customer receivables

At year-end management makes an estimate of the amount of total outstanding customer debt that it expects to hand over to external debt collectors and the total subsequent receipts it expects to receive after year end. In addition, management estimates the amounts that it expects to recover from outstanding balances handed over based upon the age profile of debts handed over and based on prior experience and trends. A provision for impairment is raised based on these estimates. A detailed breakdown of the student fee receivable is provided in note 13.

6. COMPARATIVE INFORMATION

6.1. PRIOR YEAR COMPARATIVES

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed.

Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

7. PROPERTY, PLANT AND EQUIPMENT

7.1. INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

Infrastructure assets in particular are those that are part of a system or network, specialized in nature and do not have alternative uses, immovable and maybe subject to constraints on disposal.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality.

Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 (continued)

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

7.2. SUBSEQUENT MEASUREMENT

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured.

Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it de-recognises the part of the asset being replaced and capitalises the new component. Subsequently all property plant and equipment, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

7.3. DEPRECIATION

Land is not depreciated as it is regarded as having an infinite life. Depreciation on assets other than land is calculated on cost, using the straight-line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality.

Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives. Depreciation only commences when the asset is available for use, unless stated otherwise.

The annual depreciation rates are based on the following estimated average asset lives:

	Years		Years
Infrastructure		Other	
Roads and Paving	15-65	Buildings	30
Pedestrian Malls	30	Specialised vehicles	10
Electricity	20-30	Other vehicles	3-7
Water	15-65	Office equipment	3-5
Sewerage	15-50	Furniture and fittings	7
Housing	30	Watercraft	15
Community		Bins and containers	5-10
Buildings	30	Specialised plant and equipment	10-15
Recreational Facilities	20-30	Other items of plant and equipment	2-5
Security	5		

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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DEPRECIATION (Continued)

The assets residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted retrospectively if appropriate, at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The residual value and the useful life of each asset are reviewed at the end of each reporting date. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation method applied to an asset is reviewed at each reporting date.

7.4. DERECOGNITION

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

The gain or loss arising from de-recognition of an item of property, plant and equipment is included in surplus or deficit when the item is de-recognised. The gain or loss arising from de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

8. LEASES

The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised.

The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease expenses are recognised on a straight-line basis over the lease term.

The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Depreciation on leased assets has been calculated in accordance with GRAP 17 Property, plant and equipment.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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9. IMPAIRMENT OF NON-FINANCIAL ASSETS

In assessing whether there is any indication that an asset may be impaired, the following have been considered:

External sources of information

Cessation or near cessation, of the demand or need for services provided by the asset;
Significant long-term changes with an adverse effect on the entity that have taken place during the period will take place in the near future, in the technological, legal or government policy environment in which the municipality operates.

Internal sources of information

Evidence of physical damage of an asset;
Increased expenditure on repairs and maintenance on the asset.

Impairment of Cash generating assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount exceeds the recoverable amount.

The recoverable amount is the higher of the assets Fair Value less cost to sell, or its value in use.

Impairment of Non-cash generating assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or circumstances indicate that the serviceable amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount exceeds the serviceable amount.

The serviceable amount is the higher of the assets Fair Value less cost to sell, or its value in use.

10. INTANGIBLE ASSETS

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability, or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the Municipality or from other rights and obligations.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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10.1. INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses and development costs.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or the service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale
- it is technically feasible to complete the intangible asset
- the Municipality has the resources to complete the project, and
- it is probable that the Municipality will receive future economic benefits or service potential

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Internally generated intangible assets are subject to strict recognition criteria before they are capitalised.

Intangible assets are initially recognised at cost. Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

10.2. SUBSEQUENT MEASUREMENT

Intangible assets are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

10.3. AMORTISATION AND IMPAIRMENT

The cost of an intangible asset is amortised over the useful life of 3 years.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

10.4. DERECOGNITION

An intangible asset is derecognised when it is permanently withdrawn from use and no future economic benefit or service potential is derived from it. The gain or loss arising from the disposal of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It is recognised in surplus or deficit when the intangible asset is derecognised.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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11. INVESTMENT PROPERTIES

11.1. INITIAL RECOGNITION

Investment property is recognised as an asset, only where:

- It is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity; and
- The cost or fair value of the investment property can be measured reliably.

Investment properties have been initially measured at cost (Transaction costs which are costs directly attributable to the expenditure, legal fees, conveyancing fees etc shall be included in this initial measurement). If payment for investment property is deferred, its cost is the cash price equivalent. The difference between this amount and the total payments is recognised as interest expense over the period of credit.

Investment properties that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) are measured in accordance with GRAP 100, at the lower of its carrying amount or its fair value less costs to sell.

11.2. SUBSEQUENT MEASUREMENT

Subsequently investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on cost, using the straight-line method over the useful life of the property. Vacant land held under investment properties is not depreciated.

An investment property is derecognised upon disposal, or when it is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Any gain or loss arising from the retirement or disposal of investment property is included in surplus or deficit in the period of the retirement or disposal.

12. INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods and land held for sale are valued at the lower of cost and net realisable value.

In general, the basis of determining cost is the first-in, first-out method.

Unsold water at year-end is valued at the lower of cost and net realizable value.

For the land component recognised in terms of GRAP 12 land is recognised at cost with the cost based on fair value at date of recognition. Assessing historical cost of land and then breaking it down into individual was impractical and inaccurate. The 2007/8 valuation of land in terms of the Municipality Property Rates Act, Act No 6 of 2004 (MPRA), which is very reliable, was used to determine cost.

Redundant and slow-moving inventories are identified and written down from cost to net realizable value with regard to their estimated economic or realisable values.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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13. REVENUE RECOGNITION

13.1. REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue in the period of consumption. Where meters cannot be read during a particular month, they are provisionally billed with the necessary adjustments made in the month in which they were read. Revenue from the sale of electricity prepaid meter cards is deferred and recognised as revenue on the consumption basis, commencing on date of purchase.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied.

Service charges from sewerage are based on the water consumption on each developed property using the tariffs approved from Council and are levied monthly.

Interest and rentals are recognised on a time apportionment basis. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariffs. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution has been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts allowed by the Municipality,

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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13.2. REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when it is accrued. There's uncertainty regarding full recoverability of outstanding fines and summons. Spot fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect to summon, the Public Prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use furthermore Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, a deferred income (liability) is recognised.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible Councillors or officials is virtually certain

Contributed property, plant and equipment are recognised when such items or property, plant and equipment are brought into use.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognized.

The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

When an inflow of cash and cash equivalents is deferred the fair value of the consideration may be less than the nominal amount of cash received or receivable. The consideration is determined by discounting all future receipts using an imputed rate of interest.

The imputed rate of interest is the more clearly determinable of either:

- (a) the prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- (b) a rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services. The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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14. PROVISIONS AND CONTINGENCIES

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Contingent Liabilities and Assets are not recognized but disclosed.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned
 - the principal locations affected.
 - the location, function and approximate number of employees who will be compensated for terminating their services.
 - the expenditures that will be undertaken when the plan will be implemented; and
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

15. HOUSING DEVELOPMENT FUND

Housing selling schemes both complete and in progress at 1 April 1998, were also transferred to the Housing Development Fund. All proceeds from housing developments, which include rental income and sales of houses, is paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund are used to finance housing developments within the municipal area.

16. RETIREMENT BENEFITS

The Municipality provides post- retirement medical aid benefits to retired employees. The entitlement to these benefits is usually conditional on the employee remaining in employment up to retirement age.

The Expected costs of these benefits are accrued of the period of employment. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized immediately in the statement of financial performance for the reporting period. The Defined benefit obligations are valued once in two years by independent qualified actuaries.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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17. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance in accordance with the requirements of GRAP 5 and ASB Directive 3.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

18. FINANCIAL INSTRUMENTS

18.1. CLASSIFICATION

The Municipality has types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.

18.1.1. Initial recognition

Financial Instruments are recognized when the Municipality becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. The classification of financial instruments and purpose is determined at the time of initial recognition.

18.1.2. Subsequent measurement

Financial assets are categorised according to their nature as either financial assets at fair value through profit or loss, held to maturity, loans and receivables, or available for sale. Financial liabilities are categorized as either at fair value through profit or loss or financial liabilities carried at amortised cost ('other'). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with GRAP 104.

Financial assets are categorised according to their nature as either financial assets at fair value through profit or loss, held to maturity, loans and receivables, or available for sale. Financial liabilities are categorized as either at fair value through profit or loss or financial liabilities carried at amortised cost ('other'). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with GRAP 104.

18.1.3. Investments

All investments are considered to be available-for-sale investments as the intention is to grow the value of the investment portfolios over a long-term horizon.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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18.1.4. Trade and other receivables

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. The fair value of Debtors is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

18.1.5. Trade and other payables from exchange transactions

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest. The fair value of Creditors is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date

18.1.6. Borrowings and other financial liabilities

Borrowings are recognised initially at fair value, net transaction costs incurred. Borrowings are subsequently stated at amortised cost. Long-term borrowings are non-derivative financial loans and the Municipality does not hold financial loans for trading purposes. Long-term borrowings are utilised. Other financial liabilities are carried at amortised cost.

The interbank rate or prime lending rate is not the risk-free interest rate, however it has been used as a benchmark for determining the market related rate of interest which is not significantly different to the current rates on long-term loans, hence the fair value of these loans equates their amortised cost.

18.1.7. Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits).

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Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as Financial assets: loans and receivables. The closing balance on the bank account is representative of its fair value of the monies held

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as Financial liabilities: other financial liabilities carried at amortised cost.

18.1.8. Retirement benefit obligations

The Municipality's future obligations in respect of its defined benefit pension plans and its post-employment medical benefit plan are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

18.2. INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorized as financial instruments and are measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

18.3. TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorized as financial assets: loans and receivables and recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end.

Significant financial difficulties of the debtor, probabilities that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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18.4. TRADE PAYABLES FROM EXCHANGE TRANSACTIONS, BORROWINGS AND OTHER FINANCIAL LIABILITIES

18.4.1. Trade and other payables from exchange transactions

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest. Amounts that are payable within 12 months from the reporting date are classified as current.

18.4.2. Borrowings and other financial liabilities

Borrowings are recognised initially at fair value, net transaction costs incurred. Borrowings are subsequently stated at amortised cost.

Long-term borrowings are non-derivative financial loans and the Municipality does not hold financial loans for trading purposes. Long-term borrowings are utilised. Other financial liabilities are carried at amortised cost.

18.5. CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdraft.

Bank overdrafts are recorded based on the facility used. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities.

19. HERITAGE ASSETS

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

19.1.1. Initial recognition

A heritage asset that qualifies for recognition as an asset shall be measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (continued)**

19.1.2. Subsequent measurement

Heritage assets are not depreciated, since their long economic life and high residual value mean that any depreciation would be immaterial.

After recognition as an asset, heritage assets shall be carried at its cost less any accumulated impairment losses. The Municipality assesses at each reporting date whether there are any indicators of impairment of Heritage assets. Where there is an indication of impairment the assets are recorded at their recoverable amount or their recoverable service amount.

The fair value of the Heritage assets where they differ materially from their cost, or they are not materially different indicate that the fair value approximates their cost value.

19.1.3. De-recognition

A Heritage asset is de-recognised when it is disposed or where there is no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from de-recognition, is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognized.

20. POST RETIREMENT BENEFITS AND SHORT TERM BENEFITS

20.1.1. Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

20.1.2. Actuarial gains and losses

Actuarial gains and losses are recognised in full in the year that they occur in the statement of financial performance.

21. BUDGET INFORMATION

The budget is prepared on an accrual basis. The budget amounts are scheduled as a spate additional financial statement called the statement of comparison of budget and actual amounts.

Explanatory comments are provided in the notes to the annual financial statements, first stating reasons for changes from approved to final budget and secondly reasons for overspending or underspending on line items.

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014 (continued)**

22. UNAUTHORISED EXPENDITURE

Unauthorized expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003).

Unauthorized expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

23. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

24. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

25. TAX

25.1. Normal Tax Expense:

No provision has been made for taxation as the municipality is exempt from taxation in terms of section 10(1)(A) of the Income Tax Act.

25.2. VAT

The Municipality accounts for Value Added Tax on payments basis. This means that VAT is declared to the South African Revenue Services as input VAT or output VAT only when payments are made to suppliers or payments are received for goods or services. The net output VAT on debtors where money has not been received or creditors where payment has not been made is disclosed separately in the Statement of Financial Position in terms of GRAP 1.

26. COMPARATIVE INFORMATION

26.1. Current year comparatives:

Budgeted amounts have been included in the annual financial statements for the current financial year only.

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	R	R
1. HOUSING DEVELOPMENT FUND		
The Housing Development Fund is represented by the following assets		
Fixed Assets	75 849 688	71 031 750
Bank and cash	12 183 994	32 123 792
Accumulated surplus	(38 100 138)	(52 849 740)
Total Housing Development Fund Assets and Liabilities	49 933 544	50 306 402
2. LONG-TERM LIABILITIES		
Annuity Loans	726 466 370	731 473 690
Less: Current portion transferred to current liabilities	(124 739 142)	(106 224 186)
Total Long-Term Liabilities	601 727 228	625 249 504

Refer to Appendix A for more detail on long-term liabilities

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 (continued)

2. LONG-TERM LIABILITIES (continued)

	External Loans repayments - future years												
	DBSA	DBSA	INCA	Standard Bank	Nedbank	INCA	DBSA	DBSA	DBSA	Nedbank	Nedbank	Nedbank	Total
	14 219 507	4 297 848	8 386 203	18 967 799	22 911 385	133 205 828	144 396 146	20 379 016	63 701 321	128 102 346	67 871 218	100 027 753	726 466 370
	12.00%	14.50%	13.95%	7.59%	5.75%	8.75%	11.70%	6.75%	11.57%	11.26%	9.59%	10.13%	
2015	5 347 477	1 403 464	2 570 621	13 868 896	12 337 728	33 473 084	42 207 733	4 871 725	17 142 868	31 894 160	12 302 863	19 878 832	197 299 450
2016	5 347 477	1 403 464	2 570 621	6 934 448	6 168 864	33 473 084	42 207 733	4 871 725	17 142 868	31 894 160	12 302 863	18 889 422	183 206 729
2017	5 347 477	1 403 464	2 570 621			33 473 084	42 207 733	4 871 725	17 142 868	31 894 160	12 302 863	17 851 444	169 065 439
2018	5 347 477	1 403 464	2 570 621			33 473 084	42 207 733	4 871 725	17 142 868	31 894 160	12 302 863	16 819 016	168 033 011
2019			1 298 842			33 473 084	21 103 724	4 871 725	17 142 868	31 894 160	12 302 863	15 812 955	137 900 221
2020										15 947 080	12 302 863	14 854 074	43 104 017
2021											12 302 863	13 800 832	26 103 695
2022											12 302 863	12 787 832	25 090 695
2023												11 773 444	11 773 444
2024												10 757 668	10 757 668
	21 389 908	5 613 856	11 581 326	20 803 344	18 506 592	167 365 420	189 934 656	24 358 625	85 714 340	175 417 880	98 422 904	153 225 518	972 334 368

Disclosure about the Terms and Conditions of Financial Instruments - Borrowings

Future payments are based on the balances at 30 June 2014

- (i) The interest rate applicable to the Standard Bank and Nedbank loans is variable and yearly instalments are therefore subject to interest rate risk
- (ii) Lease liability has been settled in full
- (iii) Yearly instalments payable bi-annually, consist of capital redemption and interest due. No other requirements are attached.
- (iv) No early settlement options are available to Council.
- (v) Conversion options are not available.
- (vi) There is no security given against the loans
- (vii) Receipts or payments of the loans are in South African currency

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 (continued)

	2014	2013
	R	R
3. CONSUMER DEPOSITS		
Electricity and Water	37 644 455	35 678 241
Other	7 263 820	4 100 838
Total Deposits	44 908 275	39 779 079
Guarantees held in lieu of Electricity and Water Deposits	52 819 433	52 089 633
4. TRADE AND OTHER PAYABLES		
Trade payables	86 182 250	60 931 142
Other payables	176 343 797	113 957 127
Retentions	17 723 430	10 482 128
Amounts received in advance	59 008 180	64 905 237
Total Trade and Other Payables	339 257 657	250 275 634
5. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Conditional Grants from other spheres of Government		
Financial Management Grant	-	1 489 726
Restructuring Grant	9 385	215 969
Municipal Systems Improvement Grant	-	-
Infrastructure Skills Development Grant	(989 452)	(778 800)
Municipal Infrastructure Grant	50 314 601	64 763 706
Energy Efficiency and Demand Side Management Grant	3 292 740	6 683 312
Extended Public Works Programme Integrated Grant	-	(3 915)
Municipal Water Infrastructure Grants	12 233 687	-
Rural Household Infrastructure Grant	4 000 000	-
Provincial Local Government Grants	3 179 230	11 255 977
Provincial Development Planning Grants	8 459	54 849
Provincial Housing Grants	25 291 978	28 101 143
Provincial Library Services Subsidies	421 375	215 729
Provincial Community Development Workers Programme	19 038	19 038
Provincial Department of Transport Subsidy	-	167 279
Department of Sport and Recreation	540 902	12 666
Department of Water Affairs (DWAF) - Water Services Programme	205 307	205 307
DWAF - Refurbishment Grant	-	70
DWAF - Water Conservation and Demand Management Grant	177 060	889 236
Department of Agriculture and Environmental Affairs	207 379	385 941
uThungulu District Municipality - Capacity Building Grant	1 771	3 513
uThungulu District Municipality - Museum Operating Subsidy	11 849	11 849
uThungulu District Municipality - Hosting of Annual SMME Fair	-	110 043
Department of Minerals and Energy	(7 093 892)	-
Department of Economic Development and Tourism	400 000	-
	92 231 417	113 802 638

Refer to Note 18 for reconciliation of grants from other spheres of government

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	R	R
6. VAT		
Output suspense	20 585 182	12 010 918
Input suspense	(26 827 952)	(15 530 057)
Output payable	(3 314 004)	(12 494 647)
VAT receivable/ (claimable)	(9 556 774)	(16 013 786)

VAT is payable on the payment basis. Only once payment is made or received is VAT claimed or paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

	2014	2013 RESTATED
	R	R
7. INVENTORY		
Consumables stores - at cost	13 108 447	14 932 438
Water - at cost	336 050	255 850
Land	59 555 000	60 315 000
Closing balance of inventories	72 999 497	75 503 288

8. HERITAGE ASSETS	Buildings	Other	Paintings and Statues	Total
As at 30 June 2013				
Opening balance	2 242 681	-	245 913	2 488 594
Transfers/ Adjustments	-	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
Closing balance	2 242 681	-	245 913	2 488 594
As at 30 June 2014				
Opening balance	2 242 681	-	245 913	2 488 594
Transfers/ Adjustments	-	-	-	-
Additions	-	235 101	-	235 101
Disposals	-	-	-	-
Closing balance	2 242 681	235 101	245 913	2 723 695

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

9. PROPERTY, PLANT AND EQUIPMENT

30 June 2014

Reconciliation of carrying values

Carrying Values

At 1 July 2013

	Land	Housing	Infrastructure	Community	Other	Total
	538 179 950	71 553 999	3 129 608 591	197 362 747	205 740 132	4 142 445 419
Cost	538 179 950	78 659 014	9 588 583 849	287 204 932	456 134 986	10 948 762 731
Accumulated depreciation	-	(7 105 015)	(6 458 975 258)	(89 842 185)	(250 394 854)	(6 806 317 312)
Acquisitions	-	-	99 113 311	10 956 701	40 551 500	150 621 512
Capital under construction	-	5 492 718	132 729 605	6 551 977	5 104 934	149 879 234
Transfer to inventory land	(3 203 000)	-	-	-	-	(3 203 000)
Transfer from investment properties	-	-	-	-	-	-
Transfer of accumulated depreciation	-	-	-	-	-	-
Depreciation	-	(1 197 029)	(196 960 777)	(10 758 129)	(32 058 386)	(240 974 320)
Cost	-	(1 197 029)	(196 960 777)	(10 758 129)	(32 058 386)	(240 974 320)
Revaluation	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	(43 101)	(43 101)
Cost	-	-	-	-	(64 312)	(64 312)
Revaluation	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	21 211	21 211
Carrying Values	534 976 950	75 849 688	3 164 490 730	204 113 296	219 295 080	4 198 725 743
At 30 June 2014						
Cost	534 976 950	84 151 732	9 820 426 765	304 713 610	501 727 108	11 245 996 165
Accumulated depreciation	-	(8 302 044)	(6 655 936 035)	(100 600 314)	(282 432 029)	(7 047 270 422)

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

9. PROPERTY, PLANT AND EQUIPMENT (continued)

30 June 2013 RESTATED

Reconciliation of carrying values

Carrying Values

At 1 July 2012

	Land	Housing	Infrastructure	Community	Other	Total
	545 330 950	66 104 239	3 339 184 675	205 092 713	191 567 664	4 347 280 241
Cost	545 330 950	72 613 358	9 513 658 738	283 577 376	435 468 886	10 850 649 308
Accumulated depreciation	-	(6 509 119)	(6 174 474 063)	(78 484 663)	(243 901 222)	(6 503 369 067)
Acquisitions	-	-	17 120 428	1 107 928	20 492 620	38 720 976
Capital under construction	-	6 045 656	57 804 683	2 519 628	2 263 616	68 633 583
Transfer to inventory land	(7 151 000)	-	-	-	-	(7 151 000)
Transfer from investment properties	-	-	-	-	272	272
Transfer of accumulated depreciation	-	-	-	-	(272)	(272)
Depreciation	-	(1 118 145)	(288 324 225)	(12 477 129)	(41 605 406)	(343 524 905)
Cost	-	(1 118 145)	(288 324 225)	(12 477 129)	(41 605 406)	(343 524 905)
Revaluation	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	(140 523)	(140 523)
Cost	-	-	-	-	(2 090 408)	(2 090 408)
Revaluation	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	1 949 885	1 949 885
Correction of Accumulated Depreciation - prior year error		522 249	3 823 030	1 119 607	33 162 161	38 627 047
Carrying Values	538 179 950	71 553 999	3 129 608 591	197 362 747	205 740 132	4 142 445 419
At 30 June 2013						
Cost	538 179 950	78 659 014	9 588 583 848	287 204 932	456 134 986	10 948 762 731
Accumulated depreciation	-	(7 105 015)	(6 458 975 258)	(89 842 185)	(250 394 854)	(6 806 317 312)

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	R
10. INTANGIBLE ASSETS	
As at 1 July 2012	
Cost	17 646 064
Accumulated amortisation	(10 866 766)
Carrying value	6 779 298
Acquisitions	4 374 224
Disposals	-
Work-in-progress	1 049 774
Amortisation	(1 657 881)
Correction of accumulated depreciation - prior year	642 261
As at 30 June 2013	
Cost	23 070 062
Accumulated amortisation	(11 882 386)
Carrying value	11 187 676
Acquisitions	3 599 443
Disposals	-
Amortisation	(2 627 456)
As at 30 June 2014	
Cost	26 669 505
Accumulated amortisation	(14 509 842)
Carrying value	12 159 663

City of uMhlathuze
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

11. INVESTMENT PROPERTY
30 June 2014

TOWN STAND #	STAND #	DEEDS #	NAME	LIFESPAN	CARRYING VALUES AS AT 01 JULY 2013	COST	ACCUM DEPRECIATION	DEPRECIATION	CARRYING VALUES AS AT 30 JUNE 2014	COST	ACCUM DEPRECIATION
EMPANGENI	45	T29874/1996	Zululand Built-It	0	1 000	1 000	-	-	1 000	1 000	-
EMPANGENI	56	T2643/1933	Manilali A	0	4 300 000	4 300 000	-	-	4 300 000	4 300 000	-
EMPANGENI	63	T2437/1970	Y S Cellular CC	0	2 000 000	2 000 000	-	-	2 000 000	2 000 000	-
RICHARDS BAY	67	T40386/2001	Van Rooyen K M	0	1 350 000	1 350 000	-	-	1 350 000	1 350 000	-
RICHARDS BAY	GV15825	T12114/1976	Richards Bay Airport Company (PTY) LTD	25	21 524 120	25 315 591	(3 791 471)	(617 359)	20 906 760	25 315 591	(4 408 831)
EMPANGENI	246	G93/1960	Emanzini Leisure Resort	0	1 100 000	1 100 000	-	-	1 100 000	1 100 000	-
RICHARDS BAY	617	T22887/2000	Meerensee Mall Scoonies Vier	25	4 698 902	6 663 646	(1 964 744)	(77 709)	4 621 193	6 663 646	(2 042 453)
RICHARDS BAY	620	T15638/1978	Schoonies Vier (PTY) LTD	0	4 500 000	4 500 000	-	-	4 500 000	4 500 000	-
NGWELEZANE	752	T64286/2000	Biyela A S	0	47 000	47 000	-	-	47 000	47 000	-
NSELENI	1342	TG65440/2003	Gumede S M	0	40 000	40 000	-	-	40 000	40 000	-
EMPANGENI	2015	T5367/1980	Mtshali D	0	680 000	680 000	-	-	680 000	680 000	-
RICHARDS BAY	2305	G128/1973	Bundu Nursery	0	250 000	250 000	-	-	250 000	250 000	-
RICHARDS BAY	5333	T14569/1979	Grindrod Terminals	0	9 000 000	9 000 000	-	-	9 000 000	9 000 000	-
RICHARDS BAY	5333	T6915/1993	Benians B S Construction	0	1 000 000	1 000 000	-	-	1 000 000	1 000 000	-
RICHARDS BAY	5333	T6915/1993	Benians B S Construction	0	700 000	700 000	-	-	700 000	700 000	-
RICHARDS BAY	5333	T6915/1993	Lease Group 5 Civils	0	860 000	860 000	-	-	860 000	860 000	-
RICHARDS BAY	5333	T6915/1993	Morganrite SA (PTY) LTD	0	180 000	180 000	-	-	180 000	180 000	-
RICHARDS BAY	5333	T4097/2006	Lease Foskor (Gypsum Dam)	0	70 000	70 000	-	-	70 000	70 000	-
RICHARDS BAY	5333	T4097/2006	Lease Foskor (Retention Dam)	0	250 000	250 000	-	-	250 000	250 000	-
RICHARDS BAY	5333	T4097/2006	Lease Foskor (Conveyer Beld)	0	75 000	75 000	-	-	75 000	75 000	-
RICHARDS BAY	5333	T4097/2006	Lease Foskor (Conveyer Beld)	0	500 000	500 000	-	-	500 000	500 000	-
RICHARDS BAY	5333	T4097/2006	Waste Site	0	1 500 000	1 500 000	-	-	1 500 000	1 500 000	-
RICHARDS BAY	5333	T19417/2001	Lease Grindrod Terminals	0	1 500 000	1 500 000	-	-	1 500 000	1 500 000	-
RICHARDS BAY	5333	T19417/2001	Green Africa Nursery	0	150 000	150 000	-	-	150 000	150 000	-
RICHARDS BAY	5333	T19417/2001	Ribeiro L M R	0	4 500 000	4 500 000	-	-	4 500 000	4 500 000	-
RICHARDS BAY	6364	T4199/1980	Checkers	0	240 000	240 000	-	-	240 000	240 000	-
EMPANGENI	8436	T37193/1995	Neliswa Eating House	0	6 100 000	6 100 000	-	-	6 100 000	6 100 000	-
RICHARDS BAY	9893	T26939/1988	Naicker V	0	380 000	380 000	-	-	380 000	380 000	-
RICHARDS BAY	10033	T28872/1991	LOT 11161 (PTY) LTD	0	530 000	530 000	-	-	530 000	530 000	-
RICHARDS BAY	11376	T34219/1993	Pulp United (PTY) LTD	0	56 000 000	56 000 000	-	-	56 000 000	56 000 000	-
RICHARDS BAY	11377	T21885/1993	Mantis Properties CC	0	1 600 000	1 600 000	-	-	1 600 000	1 600 000	-
RICHARDS BAY	2627	T16212/1978	Ferreira M S	0	1 200 000	1 200 000	-	-	1 200 000	1 200 000	-
RICHARDS BAY	GV16990	T789/1999	Imvubu Lodge/River Rock	25	8 486 105	9 448 505	(962 401)	(43 343)	8 442 762	9 448 505	(1 005 744)
					135 312 126	142 030 742	(6 718 616)	(738 411)	134 573 715	142 030 742	(7 457 027)

City of uMhlathuze
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

11. INVESTMENT PROPERTY (continued)

30 June 2013 RESTATED

TOWN STAND #	STAND #	DEEDS #	NAME	LIFESPAN	CARRYING VALUES AS AT 01 JULY 2012	COST	ACCUM DEP	TRANSFER COST	TRANSFER ACCUM DEP	ADDITION/ (DISPOSAL)	DEPRECIATION WRITE BACK	DEPRECIATION	CARRYING VALUES AS AT 30 JUNE 2013	COST	ACCUM DEPRECIATION
RICHARDS BAY	33	T40385/2001	Harvey J R	0	1 500 000	1 500 000	-			(1 500 000)		-	-	-	-
EMPANGENI	45	T29874/1996	Zululand Built-It	0	1 000	1 000	-					-	1 000	1 000	-
EMPANGENI	56	T2643/1933	Manilall A	0	4 300 000	4 300 000	-					-	4 300 000	4 300 000	-
EMPANGENI	63	T2437/1970	Y S Cellular CC	0	2 000 000	2 000 000	-					-	2 000 000	2 000 000	-
RICHARDS BAY	67	T40386/2001	Van Rooyen K M	0	1 350 000	1 350 000	-					-	1 350 000	1 350 000	-
RICHARDS BAY	GV15825	T12114/1976	Richards Bay Airport Company (PTY) LTD	25	18 250 012	23 057 941	(4 807 929)	(272)	272	2 257 921	1 123 743	(107 557)	21 524 119	25 315 590	(3 791 471)
EMPANGENI	246	G93/1960	Emanzini Leisure Resort	0	1 100 000	1 100 000	-					-	1 100 000	1 100 000	-
RICHARDS BAY	617	T22887/2000	Meerensee Mall Scoonies Vier	25	3 992 213	6 663 646	(2 671 433)				721 071	(14 381)	4 698 903	6 663 646	(1 964 743)
RICHARDS BAY	620	T15638/1978	Schoonies Vier (PTY) LTD	0	4 500 000	4 500 000	-					-	4 500 000	4 500 000	-
NGWELEZANE	752	T64286/2000	Biyela A S	0	47 000	47 000	-					-	47 000	47 000	-
NSELENI	1342	TG65440/2003	Gumede S M	0	40 000	40 000	-					-	40 000	40 000	-
EMPANGENI	2015	T5367/1980	Mtshali D	0	680 000	680 000	-					-	680 000	680 000	-
RICHARDS BAY	2305	G128/1973	Bundu Nursery	0	250 000	250 000	-					-	250 000	250 000	-
RICHARDS BAY	5333	T14569/1979	Grindrod Terminals	0	9 000 000	9 000 000	-					-	9 000 000	9 000 000	-
RICHARDS BAY	5333	T6915/1993	Benians B S Construction	0	1 000 000	1 000 000	-					-	1 000 000	1 000 000	-
RICHARDS BAY	5333	T6915/1993	Benians B S Construction	0	700 000	700 000	-					-	700 000	700 000	-
RICHARDS BAY	5333	T6915/1993	Lease Group 5 Civils	0	860 000	860 000	-					-	860 000	860 000	-
RICHARDS BAY	5333	T6915/1993	Morganrite SA (PTY) LTD	0	180 000	180 000	-					-	180 000	180 000	-
RICHARDS BAY	5333	T4097/2006	Lease Foskor (Gypsum Dam)	0	70 000	70 000	-					-	70 000	70 000	-
RICHARDS BAY	5333	T4097/2006	Lease Foskor (Conveyer Beld)	0	250 000	250 000	-					-	250 000	250 000	-
RICHARDS BAY	5333	T4097/2006	Lease Foskor (Conveyer Beld)	0	75 000	75 000	-					-	75 000	75 000	-
RICHARDS BAY	5333	T4097/2006	Lease Foskor (Conveyer Beld)	0	500 000	500 000	-					-	500 000	500 000	-
RICHARDS BAY	5333	T4097/2006	Waste Site	0	1 500 000	1 500 000	-					-	1 500 000	1 500 000	-
RICHARDS BAY	5333	T19417/2001	Lease Grindrod Terminals	0	1 500 000	1 500 000	-					-	1 500 000	1 500 000	-
RICHARDS BAY	5333	T19417/2001	Green Africa Nursery	0	150 000	150 000	-					-	150 000	150 000	-
RICHARDS BAY	5333	T19417/2001	Ribeiro L M R	0	4 500 000	4 500 000	-					-	4 500 000	4 500 000	-
RICHARDS BAY	6364	T4199/1980	Checkers	0	240 000	240 000	-					-	240 000	240 000	-
EMPANGENI	8436	T37193/1995	Neliswa Eating House	0	6 100 000	6 100 000	-					-	6 100 000	6 100 000	-
RICHARDS BAY	9893	T26939/1988	Naicker V	0	380 000	380 000	-					-	380 000	380 000	-
RICHARDS BAY	10033	T28872/1991	LOT 11161 (PTY) LTD	0	530 000	530 000	-					-	530 000	530 000	-
RICHARDS BAY	11376	T34219/1993	Pulp United (PTY) LTD	0	56 000 000	56 000 000	-					-	56 000 000	56 000 000	-
RICHARDS BAY	11377	T21885/1993	Mantis Properties CC	0	1 600 000	1 600 000	-					-	1 600 000	1 600 000	-
RICHARDS BAY	2627	T16212/1978	Ferreira M S	0	1 200 000	1 200 000	-					-	1 200 000	1 200 000	-
RICHARDS BAY	GV16990	T789/1999	Imvubu Lodge/River Rock	25	8 186 420	9 448 505	(1 262 085)			-	310 443	(10 759)	8 486 105	9 448 505	(962 401)
					132 531 645	141 273 092	(8 741 447)	(272)	272	757 921	2 155 257	(132 697)	135 312 126	142 030 741	(6 718 615)

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	2014	2013
	R	R
12. TRADE RECEIVABLES		
From exchange transactions	280 380 207	203 425 847
Electricity	116 881 680	42 094 275
June consumption billed in July	86 792 408	94 359 323
Water	44 759 759	35 266 002
June consumption billed in July	13 544 024	13 053 044
June water surcharge billed in July	191 757	214 699
Sewerage	11 302 677	11 390 973
Special sewer charges	219 997	241 850
June sewer surcharge billed in July	189 927	191 276
Refuse	6 497 978	6 614 404
Rental	13 991 261	10 488 375
Sundry	27 552 360	22 122 740
From non-exchange transaction	80 828 155	24 425 973
Rates	29 605 435	26 425 973
Traffic fines	51 222 720	-
Gross Balance	402 751 983	262 462 934
Less: Provision for doubtful debts	(86 222 720)	(23 000 000)
Net Balance	316 529 263	239 462 934
Rates - Ageing		
Current (0 - 30) days	18 813 078	14 485 663
31 - 60 days	1 793 539	2 038 909
61 - 90 days	926 472	790 507
91 - 120 days	621 356	655 271
121 - 360 days	3 376 680	4 328 718
361+ days	4 074 310	4 126 905
Total	29 605 435	26 425 973
Electricity, Water, Sewerage and Refuse - Ageing		
Current (0 - 30) days	232 386 429	161 231 779
31 - 60 days	6 946 391	8 277 109
61 - 90 days	3 139 334	4 233 470
91 - 120 days	5 064 203	2 346 183
121 - 360 days	11 483 306	12 059 527
361+ days	21 360 544	15 277 778
Total	280 380 207	203 425 847

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	2014	2013
	R	R
12. TRADE RECEIVABLES (continued)		
Rental		
Current (0 - 30) days	740 577	131 604
31 - 60 days	366 954	478 033
61 - 90 days	344 537	389 577
91 - 120 days	342 491	413 828
121 - 360 days	3 889 497	5 525 287
361+ days	8 307 205	3 550 046
Total	13 991 261	10 488 375
Sundry		
Current (0 - 30) days	2 212 181	(501 178)
31 - 60 days	1 141 460	2 223 012
61 - 90 days	583 055	2 944 926
91 - 120 days	3 324 288	25 299
121 - 360 days	7 298 331	6 356 272
361+ days	12 993 045	11 074 410
Total	27 552 360	22 122 740
Traffic fines		
Current (0 - 30) days	5 587 750	-
31 - 60 days	5 826 595	-
61 - 90 days	5 047 200	-
91 - 120 days	3 776 400	-
121 - 360 days	30 984 775	-
361+ days	-	-
Total	51 222 720	-
Neither passed due or impaired	285 855 550	196 723 412
Past due and impaired	86 222 720	23 000 000
Past due and not impaired	30 673 713	42 739 522
	402 751 983	262 462 934
Reconciliation of the bad debt provision		
Balance at beginning of the year	23 000 000	19 500 000
Contributions to the provision	67 968 747	3 646 893
Bad debts written off against the provision	(4 746 027)	(146 893)
Balance at end of the year	86 222 720	23 000 000

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12. TRADE RECEIVABLES (continued)

Summary of debtors by customer classification	Residential	Industry/ Commercial	State	Other	Total
30 June 2014					
Current (0 - 30) days	41 081 411	214 610 101	8 702 882	5 587 750	269 982 144
31 - 60 days	1 996 959	2 795 717	200 722	5 826 595	10 819 993
61 - 90 days	1 562 563	8 063 056	(273 282)	5 047 200	14 399 537
91 - 120 days	1 391 607	3 656 008	84 028	3 776 400	8 908 043
121+ days	33 849 218	31 442 372	2 365 901	30 984 775	98 642 266
sub-total	79 881 758	260 567 254	11 080 251	51 222 720	402 751 983
Less: Provision for bad debt	(22 571 880)	(10 920 634)	(1 507 486)	(51 222 720)	(86 222 720)
Total debtors by customer classification	57 309 878	249 646 620	9 572 765	-	316 529 263
30 June 2013					
Current (0 - 30) days	42 347 179	124 601 065	14 582 282	-	181 530 526
31 - 60 days	1 636 314	6 884 337	1 081 865	-	9 602 516
61 - 90 days	1 555 952	1 568 713	294 569	-	3 419 234
91 - 120 days	1 582 755	1 962 391	120 194	-	3 665 340
121+ days	28 460 564	31 475 971	4 308 783	-	64 245 318
sub-total	75 582 764	166 492 477	20 387 693	-	262 462 934
Less: Provision for bad debt	(6 629 376)	(14 582 416)	(1 788 208)	-	(23 000 000)
Total debtors by customer classification	68 953 388	151 910 061	18 599 485	-	239 462 934

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	2014	2013
	R	R
13. LONG-TERM RECEIVABLES		
Housing loans to staff	46 008	265 570
Study loans	154 234	202 007
Bursaries	-	-
Sub-total	200 242	467 577
Less: Current portion transferred to current assets	(41 215)	(110 873)
Total Long-Term Receivables	159 027	356 704

Housing loans, car loans and bursaries were made in terms of council policies on these schemes. No new housing or car loans have been granted since the effective implementation date of the MFMA. There are no significant terms or conditions that will affect the timeous recovery of these amounts.

14. OTHER RECEIVABLES

Payments made in advance	5 758 608	479 845
Other receivables	26 251 349	26 426 158
Total Other Receivables	32 009 956	26 906 003

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts:

Bank balances and cash	364 509 347	202 775 493
Call investment deposits	40 000 000	40 000 000
Total bank balances and cash	404 509 347	242 775 493

Bank Accounts

The municipality has the following bank accounts:

Current Account (Primary Account)

ABSA Bank - Richards Bay

Current/ Cheque account number: 2150 000 028

Cash book balance at beginning of the year	(22 308 662)	(30 057 643)
Cash book balance at end of the year	9 678 944	(22 308 662)

Bank statement balance at beginning of the year	15 959 441	2 563 073
Bank statement balance at end of the year	8 289 830	15 959 441

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	2014	2013
	R	R
15. CASH AND CASH EQUIVALENTS (continued)		
Deposit Account		
ABSA Bank - Richards Bay		
Current/ Deposit account number: 2150 000 095		
Cash book balance at beginning of the year	22 671 751	6 825 965
Cash book balance at end of the year	61 163 093	22 671 751
Bank statement balance at beginning of the year	21 069 963	5 673 566
Bank statement balance at end of the year	57 250 974	21 069 963
Hostel Account		
ABSA Bank - Richards Bay		
Current/ Deposit account number: 90 8291 6767		
Cash book balance at beginning of the year	1 621 397	4 007 144
Cash book balance at end of the year	4 128 984	1 621 397
Bank statement balance at beginning of the year	1 618 259	4 007 144
Bank statement balance at end of the year	4 117 052	1 618 259
Hostel Account - Phase 2		
ABSA Bank - Richards Bay		
Current/ Deposit account number: 90 3367 4990		
Cash book balance at beginning of the year	8 872 875	8 501 419
Cash book balance at end of the year	9 267 014	8 872 875
Bank statement balance at beginning of the year	8 850 204	8 501 419
Bank statement balance at end of the year	9 241 947	8 850 204
Hostel Account - Phase 3		
ABSA Bank - Richards Bay		
Current/ Deposit account number: 92 8322 1999		
Cash book balance at beginning of the year	20 245 048	-
Cash book balance at end of the year	21 228 774	20 245 048
Bank statement balance at beginning of the year	20 209 133	-
Bank statement balance at end of the year	21 188 950	20 209 133

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	2014	2013
	R	R
15. CASH AND CASH EQUIVALENTS (continued)		
Housing Account - Brackenham		
ABSA Bank - Richards Bay		
Current/ Deposit account number: 91 2361 5121		
Cash book balance at beginning of the year	4 945 013	4 741 652
Cash book balance at end of the year	5 085 612	4 945 013
Bank statement balance at beginning of the year	4 927 799	4 741 652
Bank statement balance at end of the year	5 082 521	4 927 799
Housing Account - Ngwelezane		
ABSA Bank - Richards Bay		
Current/ Deposit account number: 91 7137 3496		
Cash book balance at beginning of the year	2 083 770	1 996 534
Cash book balance at end of the year	2 114 062	2 083 770
Bank statement balance at beginning of the year	2 076 516	1 996 534
Bank statement balance at end of the year	2 142 549	2 076 516
Housing Account - Pionierhof		
ABSA Bank - Richards Bay		
Current/ Deposit account number: 90 9224 7889		
Cash book balance at beginning of the year	4 849 961	12 424 301
Cash book balance at end of the year	4 984 320	4 849 961
Bank statement balance at beginning of the year	4 842 451	12 424 301
Bank statement balance at end of the year	4 981 639	4 842 451
Conditional Grants		
ABSA Bank - Richards Bay		
Current/ Deposit account number: 91 7137 3917		
Cash book balance at beginning of the year	107 697 729	38 350 228
Cash book balance at end of the year	122 798 934	107 697 729
Bank statement balance at beginning of the year	107 322 834	38 350 228
Bank statement balance at end of the year	122 289 548	107 322 834

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	2014	2013
	R	R
15. CASH AND CASH EQUIVALENTS (continued)		
Capital Replacement Reserve		
ABSA Bank - Richards Bay		
Current/ Deposit account number: 92 7206 8005		
Cash book balance at beginning of the year	52 061 052	30 386 158
Cash book balance at end of the year	123 993 050	52 061 052
Bank statement balance at beginning of the year	52 037 979	30 386 158
Bank statement balance at end of the year	123 931 932	52 037 979
Petty Cash		
Balance at beginning of the year	32 550	32 550
Balance at end of the year	33 550	32 550
Deposit Account		
ABSA Bank - Richards Bay		
Current/ Deposit account number: 40 7928 6548		
Cash book balance at beginning of the year	3 010	5 425
Cash book balance at end of the year	3 010	3 010
Bank statement balance at beginning of the year	633 461	5 425
Bank statement balance at end of the year	761 907	633 461
16. PROPERTY RATES		
Actual		
Residential	105 455 053	93 413 650
Commercial	154 614 602	133 920 860
State	18 179 137	10 672 228
Total Property Rates	278 248 792	238 006 738
Property rates - penalties imposed and collection charges	1 430 075	1 610 015
Total Assessment Rates	279 678 867	239 616 753
Property Valuations		
Residential	18 524 212 310	15 397 716 899
Commercial	12 404 496 000	10 768 444 700
State	2 910 240 100	1 657 085 100
Municipal	1 758 416 450	1 489 942 500
Total Property Valuations	35 597 364 860	29 313 189 199

The first valuation in terms of the Property Rates Act, 2004 (Act No 6 of 2004) came into effect on 1 July 2008. Valuations were performed on land and buildings together. Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2013. Two supplementary valuations and objections were processed in terms of the Act. Three supplementary valuations and objections in terms of the new Act were processed during the financial year. The following rate randage and ratio to residential tariff were applied:

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16. PROPERTY RATES (continued)

Predominant Use	Rate Randage	Ratio to Residential Tariff
Residential Properties	0.00721	1:1
Business, Commercial and Industrial properties and Mining	0.01515	1:2,1
Agricultural Properties	0.00180	1:0,25
Agricultural Properties (business)	0.01515	1:2,1
State Trust Land	0.00674	1:1
State Owned Properties	0.00721	1:1
State Owned properties (all other)	0.00829	1:1,15
Public Service Infrastructure	0.00180	1:0,25
Public Benefit Organisations	0.00180	1:0,25

Subject to the provisions contained in the Rates Policy and upon application, the following rebates were applied:

Agricultural Properties - 5%

Public Benefit Organisations - 100%

Sporting Bodies - 100%

Pensioners - R150 000 Valuation Reduction on primary developed property

In addition to the statutory R15 000 reduction in the valuation on residential properties, a further reduction of R95 000 of the valuation on all developed residential properties with >R400 000 was made.

Rates are levied on a monthly basis but upon request can be levied annually. The final date for payment of rates that are levied on an annual basis is 30 September of each year, and 30 June for monthly ratepayers. Interest of prime plus 1% per annum is levied on outstanding rates.

	2014 R	2013 R
17. SERVICE CHARGES		
Sale of electricity	1 311 518 791	1 091 706 337
Sale of water	171 515 804	154 005 569
Surcharge on water	5 036 274	4 631 718
Refuse removal	58 413 911	52 519 701
Sewerage and sanitation charges	71 241 383	66 946 431
Total Service Charges	1 617 726 163	1 369 809 756

An amount of R8 559 837.89 (2013: R7 796 113.17) received in respect of prepaid electricity sales has been deferred and transferred to amounts received in advance.

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	2014	2013
	R	R
18. GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	190 384 000	179 139 000
Financial Management Grant	2 665 726	1 500 005
Restructuring Grant	206 584	-
Municipal Systems Improvement Grant	890 000	375 131
Infrastructure Skills Development Grant	7 210 652	3 778 800
Municipal Infrastructure Grant	89 493 495	39 283 176
Energy Efficiency and Demand Side Management Grant	3 390 572	1 316 688
Expanded Public Works Programme Integrated Grant	996 085	1 003 915
Municipal Water Infrastructure Grant	5 313 313	-
Provincial Health Subsidies	9 644 800	4 842 400
Provincial Local Government Grants	8 076 747	5 151 188
Provincial Development Planning Grants	46 390	-
Provincial Housing Grants	12 267 824	7 543 232
Provincial Library Services Subsidies	6 360 354	3 314 759
Provincial Museum Services Subsidies	284 000	134 000
Provincial Department of Transport Subsidy	167 279	-
Dept of Water Affairs - Refurbishment Grant	7 210 070	
Dept of Water Affairs - Water Conservation and Demand Management Grant	712 175	836 656
Dept of Water Affairs - Accelerated Infrastructure Programme Grant	-	75 700
Dept of Agriculture and Environmental Affairs	178 562	364 751
Dept of Minerals and Energy	7 093 892	-
uThungulu District Municipality - Environmental Health Service	4 856 400	4 603 259
uThungulu District Municipality - Capacity Building Grant	1 742	121 772
uThungulu District Municipality - Hosting of Annual SMME Fair	-	48 503
uThungulu District Municipality Beach Festival	55 000	-
uThungulu District Municipality - Bus Shelters and Laybys	110 043	97 341
	357 615 705	253 530 276

18.1 Equitable Share

In terms of the Constitution, this allocation is to provide for an equitable sharing of National Revenue. It is primarily for the provision of basic services.

18.2 Financial Management Grant

Balance unspent at beginning of year	1 489 726	2 085 731
Current year receipts	1 176 000	904 000
Conditions met - transferred to revenue	(2 665 726)	(1 500 005)
Conditions still to be met - transferred to liabilities	-	1 489 726

National Conditional Grants are allocated in terms of the Division of Revenue Act. The Financial Management Grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the MFMA. An amount of R374 000 was withdrawn by National Treasury for the 2011/2012 unspent allocation.

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	2014 R	2013 R
18. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
18.3 Restructuring Grant		
Balance unspent at beginning of year	215 969	215 969
Current year receipts	-	-
Conditions met - transferred to revenue	(206 584)	-
Conditions still to be met - transferred to liabilities	<u>9 385</u>	<u>215 969</u>

National Conditional Grant are allocated in terms of the Division of Revenue Act. The Restructuring Grant received in 2002, 2003 and 2004 from National Treasury has been earmarked for certain projects that will improve the local economy.

18.4 Municipal Systems Improvement Grant

Balance unspent at beginning of year	-	364 131
Current year receipts	890 000	11 000
Conditions met - transferred to revenue	(890 000)	(375 131)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>

National Conditional Grant are allocated in terms of the Division of Revenue Act. The Municipal Systems Improvement Grant is used to assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation.

18.5 Infrastructure Skills Development Grant

Balance unspent at beginning of year	(778 800)	-
Current year receipts	7 000 000	3 000 000
Conditions met - transferred to revenue	(7 210 652)	(3 778 800)
Conditions still to be met - transferred to liabilities	<u>(989 452)</u>	<u>(778 800)</u>

National Conditional Grants are allocated in terms of the Division of Revenue Act. The Infrastructure and Skills Development Grant is used to strengthen the capacity of local government, to effectively and efficiently deliver quality infrastructure by increasing the pool of skills available, to facilitate lifelong learning and the transfer of knowledge and skills to municipalities and to sustain infrastructure related management capacity in local government.

18.6 Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	64 763 706	22 800 333
Current year receipts	86 733 000	86 617 000
Conditions met - transferred to revenue	(89 493 495)	(39 283 174)
Conditions met - transferred to own revenue	(11 688 610)	(5 370 453)
Conditions still to be met - transferred to liabilities	<u>50 314 601</u>	<u>64 763 706</u>

National Conditional Grant are allocated in terms of the Division of Revenue Act. This grant is used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld.

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	2014	2013
	R	R
18. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
18.7 Energy Efficiency and Demand Side Management Grant		
Balance unspent at beginning of year	6 683 312	-
Current year receipts	-	8 000 000
Conditions met - transferred to revenue	(3 390 572)	(1 316 688)
Conditions still to be met - transferred to liabilities	<u><u>3 292 740</u></u>	<u><u>6 683 312</u></u>

National Conditional Grant are allocated in terms of the Division of Revenue Act. This grant is used to implement energy efficiency and demand-side management (EEDSM) initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

18.8 Expanded Public Works Programme (EPWP) Integrated Grant

Balance unspent at beginning of year	(3 915)	-
Current year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(996 085)	(1 003 915)
Conditions still to be met - transferred to liabilities	<u><u>-</u></u>	<u><u>(3 915)</u></u>

National Conditional Grants are allocated in terms of the Division of Revenue Act. The grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in compliance with EPWP Guidelines

18.9 Municipal Water Infrastructure grant

Balance unspent at beginning of year	-	-
Current year receipts	17 547 000	-
Conditions met - transferred to revenue	(5 313 313)	-
Conditions still to be met - transferred to liabilities	<u><u>12 233 687</u></u>	<u><u>-</u></u>

National Conditional Grants are allocated in terms of the Division of Revenue Act. The grant is to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not" receiving a water supply service. This Grant was received on 07 March 2014.

18.10 Rural Household Infrastructure Grant

Balance unspent at beginning of year	-	-
Current year receipts	4 000 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	<u><u>4 000 000</u></u>	<u><u>-</u></u>

National Conditional Grants are allocated in terms of the Division of Revenue Act. The grants is to provide specific capital funding for the reduction of rural sanitation backlogs and to target existing households where bulk-dependent services are not viable. This grant was received on 11 March 2014 and 18 March 2014.

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	2014	2013
	R	R
18. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
18.11 Provincial Health Subsidies		
Balance unspent at beginning of year	-	-
Current year receipts	9 644 800	4 842 400
Conditions met - transferred to revenue	(9 644 800)	(4 842 400)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>

The municipality renders health services on behalf of the Provincial Government and is refunded approximately 35% of total expenditure incurred. This grant has been used exclusively to fund clinic services. The conditions of the grant have been met. There was no delay or withholding of the grant.

18.12 Provincial Local Government Grants		
Balance unspent at beginning of year	11 255 977	5 143 536
Current year receipts	-	11 263 629
Conditions met - transferred to revenue	(8 076 747)	(5 151 188)
Conditions still to be met - transferred to liabilities	<u>3 179 230</u>	<u>11 255 977</u>

Provincial Local Government grants are used to implement the administrative and financial framework and to provide a municipal infrastructure framework. The grants are spent in accordance with a business plan approved by the Provincial Government.

18.13 Provincial Development Planning Grants		
Balance unspent at beginning of year	54 849	54 849
Current year receipts	-	-
Conditions met - transferred to revenue	(46 390)	-
Conditions still to be met - transferred to liabilities	<u>8 459</u>	<u>54 849</u>

Provincial Development Planning grants are used to promote integrated planning and development in the province. The grants are spent in accordance with an approved business plan.

18.14 Provincial Housing Grants		
Balance unspent at beginning of year	28 101 143	12 080 063
Current year receipts	7 779 080	22 803 555
Conditions met - transferred to revenue	(12 267 824)	(7 543 232)
Interest received	1 679 579	760 757
Conditions still to be met - transferred to liabilities	<u>25 291 978</u>	<u>28 101 143</u>

Provincial Housing grants were allocated to assist in the refurbishment of various hostels. The grants are spent in accordance with a business plan approved by the Provincial Government. Funds were provided for the housing operating accounts and funds were also provided for the implementation of the Enhanced Extended Discount Benefit Scheme. No funds were withheld.

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	2014	2013
	R	R
18. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
18.15 Provincial Library Services Subsidies		
Balance unspent at beginning of year	215 729	126 688
Current year receipts	6 566 000	3 403 800
Conditions met - transferred to revenue	(6 360 354)	(3 314 759)
Conditions still to be met - transferred to liabilities	<u>421 375</u>	<u>215 729</u>

Provincial Library Grants were allocated to subsidise the purchase of equipment for various libraries as well as the construction of the Empangeni Library Study hall and to refurbish the community hall at Felixton into a library.

Further funding was received for the installation of computer hardware and software for public internet access, the cost of the internet connectivity, furniture to house these computers and salaries for the employment of "cyber-cadets". The subsidies are spent in accordance with an approved business plan. No funds were withheld.

18.16 Provincial Museum Services Subsidies

Balance unspent at beginning of year	-	-
Current year receipts	284 000	134 000
Conditions met - transferred to revenue	(284 000)	(134 000)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>

Office of the Premier allocates a subsidy to assist in the daily running of the Empangeni Museum. No funds were withheld.

18.17 Provincial Community Development Workers Programme

Balance unspent at beginning of year	19 038	19 038
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	<u>19 038</u>	<u>19 038</u>

Department of Co-operative Governance and Traditional Affairs allocated funds to Council for the administration of the Community Development Workers Programme. No funds have been withheld.

18.18 Provincial Department of Transport

Balance unspent at beginning of year	167 279	167 279
Current year receipts	-	-
Conditions met - transferred to revenue	(167 279)	-
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>167 279</u>

Provincial Department of Transport provided for a subsidy for a Pedestrian Safety project.

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	R	R
18. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
18.19 DWAF - Water Services Program		
Balance unspent at beginning of year	205 307	205 307
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	<u>205 307</u>	<u>205 307</u>

Department of Water Affairs Sector Institutional Support and Capacity Building Initiative in support of Water Services Authority and Water Service Provider functions. The grants are spent in accordance with an approved business proposal.

18.20 DWAF - Refurbishment Grant

Balance unspent at beginning of year	70	70
Current year receipts	7 210 000	-
Conditions met - transferred to revenue	<u>(7 210 070)</u>	-
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>70</u>

Department of Water Affairs Refurbishment Grant and Subsidy for Water Services Works. The grants are spent in accordance with an approved business plan.

18.21 DWAF - Water Conservation and Demand Management

Balance unspent at beginning of year	889 237	1 725 893
Current year receipts	-	-
Conditions met - transferred to revenue	<u>(712 177)</u>	<u>(836 656)</u>
Conditions still to be met - transferred to liabilities	<u>177 060</u>	<u>889 237</u>

Department of Water Affairs - Water Conservation and Demand Management grant in respect of capacity building and institutional support. The grant is spent in accordance with an approved business plan

18.22 DWAF - Accelerated Infrastructure Programme

Balance unspent at beginning of year	-	75 700
Current year receipts	-	-
Conditions met - transferred to revenue	<u>-</u>	<u>(75 700)</u>
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>

Department of Water Affairs Infrastructure Programme grant in support of the refurbishment and upgrade at the Esikhaleni Waste Water Treatment Plant. The grant is spent in accordance with an approved business plan.

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	R	R
18. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
18.23 DWAF - Regional Bulk Water Projects		
Balance unspent at beginning of year	-	1 500 000
Current year receipts	-	(1 500 000)
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>

Department of Water Affairs Regional Bulk Water projects grant in support of the installation of bulk pipelines to supply areas where there is a lack of water supply

18.24 uThungulu District Municipality Environmental Health Costs

Balance unspent at beginning of year	-	-
Current year receipts	4 856 400	4 603 259
Conditions met - transferred to revenue	<u>(4 856 400)</u>	<u>(4 603 259)</u>
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>

The function to provide environmental health services was transferred to the district municipality. Council is still performing this function on behalf of the district. In terms of the Service Level Agreement, the district allocates Council a portion of their Equitable Share allocation.

18.25 uThungulu District Municipality Capacity Building Grant

Balance unspent at beginning of year	3 513	125 285
Current year receipts	-	-
Conditions met - transferred to revenue	<u>(1 742)</u>	<u>(121 772)</u>
Conditions still to be met - transferred to liabilities	<u>1 771</u>	<u>3 513</u>

uThungulu District Council allocates funds for capacity building. No funds have been withheld.

18.26 Uthungulu District Municipality Museum Operating Subsidy

Balance unspent at beginning of year	11 849	11 849
Current year receipts	-	-
Conditions met - transferred to revenue	<u>-</u>	<u>-</u>
Conditions still to be met - transferred to liabilities	<u>11 849</u>	<u>11 849</u>

uThungulu District Council allocated a subsidy to assist in the daily running of the Empangeni Museum. No funds have been withheld.

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	2014	2013
	R	R
18. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
18.27 uThungulu District Municipality Hosting of Annual SMME fair		
Balance unspent at beginning of year	-	48 503
Current year receipts	-	-
Conditions met - transferred to revenue	-	(48 503)
Conditions still to be met - transferred to liabilities	-	-

uThungulu District Council donated funds for the hosting of the Annual SMME fair by Council in partnership with business stakeholders.

18.28 uThungulu District Municipality - Beach Festival

Balance unspent at beginning of year	-	-
Current year receipts	55 000	-
Conditions met - transferred to revenue	(55 000)	-
Conditions still to be met - transferred to liabilities	-	-

uThungulu District Council donated funds for the Beach festival

18.29 uThungulu District Municipality Bus Shelters and Laybys

Balance unspent at beginning of year	110 043	-
Current year receipts	-	207 384
Conditions met - transferred to revenue	(110 043)	(97 341)
Conditions still to be met - transferred to liabilities	-	110 043

uThungulu District Council donated funds for Bus Shelters and Laybys

18.30 Department of Agriculture and Environmental Affairs

Balance unspent at beginning of year	385 941	750 692
Current year receipts	-	-
Conditions met - transferred to revenue	(178 562)	(364 751)
Conditions still to be met - transferred to liabilities	207 379	385 941

Department of Agriculture and Environmental Affairs provided a subsidy for a recycling project. The grants are spent in accordance with an approved business plan.

18.31 Department of Minerals and Energy

Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	(7 093 892)	-
Conditions still to be met - transferred to liabilities	(7 093 892)	-

Department of Minerals and Energy provided a grant in support of electrification projects. The grants are spent in accordance with an approved business plan.

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	2014	2013
	R	R
18. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
18.32 Department of Sport and Recreation		
Balance unspent at beginning of year	12 666	12 666
Current year receipts	528 236	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	540 902	12 666

Funds were received from the Department of Sport and Recreation for the upgrade of the Vulindlela Sport Facility. The grants are spent in accordance with an approved business plan.

18.33 Department of Economic Development and Tourism

Balance unspent at beginning of year	-	-
Current year receipts	400 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	400 000	-

Funds were received from the Department of Economic and Development Tourism for the upgrade of Alkandstrad Beach. The grants are spent in accordance with an approved business plan.

19. OTHER INCOME

Building plans	1 372 103	1 216 309
Extension fees and Engineering contributions	24 335 625	70 867 967
Connection fees	2 952 779	2 369 887
MIG VAT revenue	11 688 610	5 370 426
Reconnection fees	4 865 419	3 983 391
Licence Drivers	2 130 358	2 022 735
Commissions	8 391 404	5 486 930
Skills Levy fees	992 354	1 755 382
Discounts received	1 891 611	1 174 958
Sundries	8 832 667	18 621 948
Total Other income	67 452 930	112 869 933

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	2014	2013
	R	R
20. EMPLOYEE-RELATED COSTS		
Employee-related cost - salaries and wages	293 080 279	261 817 933
Employee-related cost - contributions to UIF, pensions and medical aid	83 993 001	77 160 039
Travel, motor car, accommodation, subsistence and other allowances	55 981 626	50 397 588
Housing benefits and allowances	3 269 873	3 672 236
Overtime payments	35 601 587	30 158 237
Leave payments	6 721 473	12 538 218
Cellphone allowances	1 410 112	1 206 883
Pensioners' medical aid contributions	3 351 433	3 008 656
Less: Employee costs capitalised to Property, plant and equipment	(2 419 170)	(2 833 910)
Total Employee-related costs	480 990 214	437 125 880

There were no advances to employees. Loans to employees are set out in note 13.

Remuneration of the Municipal Manager

Annual Remuneration	853 952	796 140
Annual Bonus	-	66 345
Performance Bonus	87 366	99 315
Travel Allowance	287 988	216 643
Contributions to UIF, Medical and Pension funds	233 050	290 387
Total	1 462 356	1 468 830

Remuneration of Senior Managers and Managers

30 June 2014

	Dep M Manager: Infra & Technical Services	Dep M Manager: Community Services
Annual Remuneration	665 249	825 792
Annual Bonus	-	68 816
Performance Bonus	-	81 668
Travel Allowance	187 900	193 104
Contributions to UIF, Medical and Pension funds	302 232	170 857
Total	1 155 381	1 340 237

30 June 2013

Annual Remuneration	757 160	770 400
Annual Bonus	-	64 200
Performance Bonus	76 325	25 442
Travel Allowance	264 892	193 104
Contributions to UIF, Medical and Pension funds	241 058	160 738
Total	1 339 435	1 213 884

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20. EMPLOYEE-RELATED COSTS (continued)

30 June 2014

	R	R	R
	Dep M Manager: Financial Services - CFO	Dep M Manager: Corporate Services	Dep M Manager: City Development
Annual Remuneration	952 694	834 709	761 032
Annual Bonus	74 904	69 559	-
Performance Bonus	128 335	93 335	81 668
Travel Allowance	204 600	183 125	409 199
Contributions to UIF, Medical and Pension funds	51 565	220 644	103 179
Total	1 412 098	1 401 372	1 355 078

30 June 2013

Annual Remuneration	888 078	834 318	693 989
Annual Bonus	74 006	-	-
Performance Bonus	109 036	87 229	87 229
Travel Allowance	204 600	186 089	410 904
Contributions to UIF, Medical and Pension funds	45 092	210 036	102 216
Total	1 320 812	1 317 672	1 294 338

30 June 2014

	Head: Financial Services Expenditure	Head: Transport & Roads	Head: Water & Sanitation
Annual Remuneration	523 339	699 283	523 339
Annual Bonus	43 612	-	43 612
Entertainment	1 400	-	1 400
Housing subsidy	5 736	-	-
Travel Allowance	228 020	246 666	228 020
Contributions to UIF, Medical and Pension funds	314 978	226 786	158 588
Total	1 117 084	1 172 735	954 959

30 June 2013

Annual Remuneration	488 616	652 886	488 616
Annual Bonus	40 820	-	40 616
Entertainment	1 400	-	1 400
Housing subsidy	6 000	-	-
Travel Allowance	212 682	233 627	212 682
Contributions to UIF, Medical and Pension funds	214 879	199 917	116 368
Total	964 397	1 086 430	859 682

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20. EMPLOYEE-RELATED COSTS (continued)

30 June 2014

	R	R	R
	Head: HR services	Head: Corporate Services	Head: Electrical Services
Annual Remuneration	528 994	32 049	523 339
Annual Bonus	43 612	-	43 612
Entertainment	1 050	-	1 400
Travel Allowance	230 036	13 835	228 020
Contributions to UIF, Medical and Pension funds	133 468	-	162 304
Total	937 159	45 884	958 674

30 June 2013

Annual Remuneration	57 008	52 562	453 325
Annual Bonus	-	-	-
Entertainment	-	-	1 267
Travel Allowance	6 319	6 436	192 656
Contributions to UIF, Medical and Pension funds	-	-	114 039
Total	63 327	58 998	761 287

30 June 2014

	Head: Health & Public Safety	Head: Parks, Sports & Recreation
Annual Remuneration	523 339	523 339
Annual Bonus	43 612	43 612
Entertainment	1 400	1 400
Housing subsidy	-	-
Travel Allowance	228 020	228 020
Contributions to UIF, Medical and Pension funds	202 531	236 175
Total	998 901	1 032 545

30 June 2013

Annual Remuneration	488 616	488 616
Annual Bonus	40 616	40 820
Entertainment	1 400	1 400
Housing subsidy	-	-
Travel Allowance	212 682	212 689
Contributions to UIF, Medical and Pension funds	215 079	213 714
Total	958 393	957 239

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20. EMPLOYEE-RELATED COSTS (continued)

30 June 2014

	Head: Financial Services Revenue	Head: Economic Development	Head: Engineering Services
Annual Remuneration	523 339	-	511 467
Annual Bonus	43 612	-	43 612
Entertainment	1 750	-	933
Housing subsidy	4 780	-	5 736
Travel Allowance	228 020	-	223 675
Contributions to UIF, Medical and Pension funds	147 115	-	157 555
Total	948 616	-	942 978

30 June 2013

Annual Remuneration	215 429	204 098	488 616
Annual Bonus	-	16 775	53 457
Entertainment	467	583	1 400
Housing subsidy	-	-	6 000
Travel Allowance	71 196	88 949	212 682
Contributions to UIF, Medical and Pension funds	77 474	62 040	229 966
Total	364 566	372 445	992 121

21. REMUNERATION OF COUNCILLORS

Mayor	754 481	631 565
Deputy Mayor	622 265	509 785
Speaker	624 777	512 061
Chief Whip	562 112	460 616
Executive Committee Members	4 525 123	3 836 272
Chairpersons of Section 79 Committees Exco	190 083	-
Chairpersons of S79 Committees	1 143 401	997 104
Councillors	10 967 085	8 564 917
Councillors' pension contributions	2 018 945	1 635 516
Total Councillors Remuneration	21 408 271	17 147 836

The Speaker, Chief Whip and Executive Committee members are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Mayor is also provided with a vehicle for business use at the cost of the Council.

22. FINANCE COSTS

Long-term liabilities	71 144 663	79 985 065
Total interest on external borrowings	71 144 663	79 985 065

An amount of R505 366.52 (2013: R929 247.92) relating to finance costs for 2013/2014 was capitalised to work-in-progress with 9.59% being the weighted average cost of funds borrowed by the municipality.

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	2014	2013
	R	R
23. BULK PURCHASES		
Electricity	969 539 822	854 691 471
Water	82 085 979	82 555 439
Total Bulk Purchases	1 051 625 801	937 246 910
24. GRANTS AND SUBSIDIES PAID		
Richards Bay Country Club	309 792	350 030
Davulution Agriculture Primary	-	50 000
Early Childhood Development	300 000	-
SPCA	333 300	105 000
Isigugu Samanxamalala Matomela Trust	100 000	-
Schools and uThungulu Community Forum	60 000	25 000
MTA Invitation	61 514	-
Children	74 360	-
Sundries	394 767	267 664
Property rates relief	1 227 502	705 365
Dolos Festival	50 000	70 000
uMhlathuze Rangers FC	(70 000)	70 000
Mhlaacufest	-	70 000
COSATU Kwa-Zulu Natal - May Day	-	60 000
Ezemvelo KZN Wildlife	-	32 550
Youth Summit	133 254	223 412
World Aids Day	47 022	61 486
Total Grants and Subsidies Paid	3 021 511	2 090 507
25. CASH GENERATED FROM OPERATIONS		
Surplus/ (Deficit) for the year	197 905 532	(51 419 972)
Adjustment for:		
Depreciation	241 712 732	343 657 602
Amortisation	2 627 456	1 657 881
Post-employment benefit expenses	28 913 044	(13 913 145)
Other grants received (excluded as non-cash)	(49 658 470)	-
(Gain)/ Loss on disposal of property, plant and equipment	43 101	(568 650)
Grant in aid (excluded as non-cash)	(584 541)	16 189
Movement in bad debt provision	63 222 720	3 500 000
Investment income	(21 060 123)	(14 498 748)
Interest paid	71 144 663	79 985 065
Operating surplus before working capital changes	534 266 114	348 416 222
(Increase)/ Decrease in inventories	2 503 788	(1 887 641)
(Increase)/ Decrease in trade receivables	(140 289 049)	(57 212 682)
(Increase)/ Decrease in other receivables	(5 103 954)	(4 182 788)
(Decrease)/ Increase in unspent conditional grants and receipts	(21 571 221)	66 287 039
(Decrease)/ Increase in creditors	86 055 769	15 611 967
(Decrease)/ Increase in VAT claimable	6 457 012	(8 297 070)
(Decrease)/ Increase in consumer deposits	5 129 196	859 822
Cash generated from operations	467 447 655	359 594 869

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	2014	2013
	R	R
26. ELECTRICITY AND WATER LOSSES		
Water losses for the City of uMhlathuze calculated at a variable cost per kilolitre amounts to:		
Total produced and purchased (KL)	45 700 751	43 774 028
Total sold (KL)	28 197 051	29 428 624
Water Loss (KL)	17 503 700	14 345 404
% Loss	38.30%	32.77%
Variable cost/ KL	R 1.43	R 1.42
	25 087 109	20 370 474

Water losses are attributable to the following reasons:

Non-technical reasons

Included in these losses is measured water through bulk meters supplying the Traditional Areas of Mkhwanazi South, North and Dube. However individual households are not metered yet hence not billed and therefore recorded as lost at this stage.

Technical reasons

Aged reticulation without sufficient replacement, refurbishment and maintenance. Incorrectly calibrated meters

Electricity losses for the City of uMhlathuze calculated at a unit cost per kilowatt amounts to:

Total purchases (KW)	1 600 621 423	1 434 018 166
Total sold (KW)	1 440 934 507	1 289 135 067
Electricity Loss (KW)	159 686 916	144 883 099
% Loss	9.977%	10.103%
Unit cost/ KW	0.58	R 0.59
	93 101 990	85 481 028

Electricity losses are attributable to the following reasons:

Non-technical reasons

Theft, unmetered supply and error in metering.

Technical reasons

Electrical resistivity in the network.

Ageing of network without sufficient replacement, refurbishment and maintenance.

Incorrect meter calibration and monitoring.

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	2014	2013
	R	R
27. ADDITIONAL DISCLOSURES IN TERMS OF THE MFMA		
27.1 Contributions to SALGA		
Council subscriptions	4 169 187	3 632 664
Amount paid	<u>(4 169 187)</u>	<u>(3 632 664)</u>
27.2 Audit fees		
Amount paid - current year	2 126 265	3 681 503
27.3 PAYE, SDL and UIF		
Opening balance	5 119 721	4 223 351
Current year payroll deductions	74 624 035	64 705 627
Amount paid - current year	(68 903 613)	(59 585 906)
Amount paid - prior year	(5 119 721)	(4 223 351)
Balance unpaid (included in creditors)	<u>5 720 422</u>	<u>5 119 721</u>

The balance represents June's contribution paid over in July.

27.4 Pension and Medical Aid Deductions

Opening balance	5 500 400	4 819 134
Current year payroll deductions	123 461 737	109 090 834
Amount paid - current year	(117 220 060)	(103 590 434)
Amount paid - prior year	(5 500 401)	(4 819 134)
Balance unpaid (included in creditors)	<u>6 241 676</u>	<u>5 500 400</u>

The balance represents continued members contributions received in advance.

27.5 Councillor's Arrear Consumer Accounts

The following councillors had arrear accounts outstanding for more than 90 days as at 30 June.

2014	Total	< 90 days	> 90 days
Khoza M	923	380	543
Total	<u>923</u>	<u>380</u>	<u>543</u>
2013	Total	< 90 days	> 90 days
None	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>

During the year the following Councillors' had arrear accounts outstanding for more than 90 days. The following represents the highest amount outstanding:

2014	Highest Amount Outstanding	Ageing
Khoza M	543	90+ days
2013	Highest Amount Outstanding	Ageing
None	-	-

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	2014	2013
	R	R
28. CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure		
Approved and contracted for	273 479 565	29 077 646
Approved but not yet contracted for	146 382 235	309 636 354
Total capital commitments	<u>419 861 800</u>	<u>338 714 000</u>
 This expenditure will be financed from		
Internal sources	106 720 900	108 898 000
External loans	144 738 000	136 119 000
Grants and subsidies	168 402 900	93 697 000
	<u>419 861 800</u>	<u>338 714 000</u>

29. CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS

Guarantees by City of uMhlathuze in respect of building society and commercial bank housing loans to officials.	43 500	43 500
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Guarantee by City of uMhlathuze in respect of postal services.	200 000	200 000
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Cosmic Gold submitted a claim against Council regarding the cancellation of a property sale agreement. Cosmic Gold is claiming the costs of constructing the tennis court in the property as well as interest and professional fees to the value of R1 673 513.50. The matter is still ongoing.

Motla Engineers (Pty) Ltd submitted a claim against council regarding a dispute in in amounts due that relates to tenders awarded for services rendered to the sum of R1 087 860.60. This matter is still ongoing.

30. POST-EMPLOYMENT MEDICAL BENEFITS (defined benefit obligation)

The municipality operates on five (5) accredited medical aid schemes, namely Bonitas. Hosmed, Keyhealth, LA Health and Samwumed..Pensioners continue on the option they belonged to on the day of their retirement. The independent valuers, ARCH Actuarial Consulting, carried out statutory valuation for the year ended 30 June 2014. There are no planned assets.

The principal actuarial assumptions used were as follows:

Discount rate p.a.	9.16%	9.16%
Health care cost inflation rate	7.75%	7.75%
Net effective discount rate	1.31%	1.13%
Average retirement age	55	55.00
Proportion continuing membership at retirement	80.00%	80.00%
Proportion of retiring members who are married	90.00%	90.00%

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	2014	2013
	R	R
30. POST-EMPLOYMENT MEDICAL BENEFITS (defined benefit obligation)		
The amounts recognised in the Statement of Financial Position were determined as follows:		
Present Value of the obligation	233 331 899	204 418 855
Liability in the Balance Sheet	<u>233 331 899</u>	<u>204 418 855</u>
 Movements in the defined benefit obligation is as follows:		
Balance at the beginning of the year	204 418 855	218 332 000
Current service cost	13 480 221	18 777 000
Interest cost	18 584 035	16 186 000
Benefits paid	(3 151 212)	(2 383 000)
Actuarial (gain)/ loss on obligation	-	(46 493 145)
	<u>233 331 899</u>	<u>204 418 855</u>
 The amounts recognised in the Statement of Financial Performance were as follows:		
Current service cost	13 480 221	18 777 000
Interest cost	18 584 035	16 186 000
Actuarial (gain)/ loss on obligation	-	(46 493 145)
Benefits paid	(3 151 212)	(2 383 000)
Net amount recognised	<u>28 913 044</u>	<u>(13 913 145)</u>

31. PROVISIONS

	Staff Leave	Staff Bonuses	Total
30 June 2014			
Amount at beginning of year	13 204 076	10 113 045	23 317 121
Increase/ (Decrease) during the year	(4 047 193)	1 120 968	(2 926 225)
Carrying amount at end of the year	<u>9 156 883</u>	<u>11 234 013</u>	<u>20 390 896</u>
 30 June 2013			
Amount at beginning of year	11 100 744	9 982 132	21 082 876
Increase/ (Decrease) during the year	2 103 332	130 913	2 234 245
Carrying amount at end of the year	<u>13 204 106</u>	<u>10 113 051</u>	<u>23 317 157</u>

Staff leave

Annual leave accrues to employees on a monthly basis, subject to certain conditions. The provision is an estimate of the amount payable to staff as at year-end, based on the value of statutory and non-statutory leave.

Staff bonuses

Bonuses accrue to staff on an annual basis based on their anniversary month. The provision is an estimate of the amount payable to staff for the following year on a pro-rata basis.

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32. EVENTS AFTER THE REPORTING DATE

No material facts and circumstances have occurred between the accounting date and the date of this report that would have an impact on the financial statements.

33. PRIOR PERIOD ERROR	2014	2013
	R	R
Restatement of Property, plant and equipment (accumulated depreciation)		
In the prior year the municipality discovered that the depreciation on property, plant and equipment assets was overcharged.		
Council properties were recognised and therefore prior year depreciation was provided.		
The impact of this adjustment is as follows:	-	6 844 944 359
Amount as previously stated in the Financial statements	-	(38 627 047)
Correction of accumulated depreciation	-	6 806 317 312
Restated Property, plant and equipment (accumulated depreciation) at 30 June 2013		

Restatement of Investment Properties (Accumulated depreciation)

During the year, the municipality discovered that the depreciation on investment properties was overcharged due to lifespans not reviewed in prior periods.

Amount as previously stated in the Financial statements	-	8 873 872
Correction of accumulated depreciation	-	(2 155 257)
Restated Investment Properties (Accumulated depreciation) at 30 June 2013	-	6 718 615

Restatement of Intangible assets (Accumulated Amortisation)

During the year, the municipality discovered that the depreciation on intangible assets was overcharged due to lifespans not reviewed in prior periods.

The impact of this adjustment is as follows:

Amount as previously stated in the Financial statements	-	12 524 647
Correction of accumulated amortisation	-	(642 261)
Restated Intangible assets (accumulated depreciation) at 30 June 2013	-	11 882 386

Restatement of Inventory Land

During the year, the municipality discovered inventory land previously not accounted for in the accounting records.

The impact of this error is as follows:

Balance as previously stated in the Financial statements	-	59 515 000
Inventory land not previously recognised	-	800 000
Restated Inventory Land at 30 June 2013	-	60 315 000

City of uMhlathuze
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

33. PRIOR PERIOD ERROR (Continued)

Restatement of Accumulated Surplus

Balance as previously stated in the Financial statements	-	3 436 964 841
Inventory land not previously recognised	-	800 000
Correction of accumulated depreciation/amortisation	-	41 424 568
Restated Accumulated Surplus Balance at 30 June 2013	-	3 479 189 409

34. DEVIATION FROM PROCUREMENT PROCESSES

Section 37(2) of Supply Chain Management Policy has been complied with.

The total amount of deviations recorded for 2013/2014 financial year is R38 186 577 (2013: R4 246 647.85)

35. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

There was no unauthorised, irregular, or fruitless and wasteful expenditure incurred during the year.

	2014	2013
	R	R
36. OPERATING LEASES		
The municipality as a lessee		
At the reporting date, the municipality has outstanding commitments under operating leases which fall due as follows:		
Buildings		
Within one year	2 400	2 400
In the second to fifth year inclusive	9 600	9 600
After five years	-	-
Total	12 000	12 000
IT Equipment		
Within one year	3 482 681	1 063 668
In the second to fifth year inclusive	2 007 257	1 772 780
After five years	-	-
Total	5 489 938	2 836 448

Operating lease payments represents rentals payable by the municipality for certain of its offices. The municipality also has current lease arrangements for three years for printers and PABX equipment. No contingent rent is payable.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	R	R
37. GENERAL EXPENSES		
Included as part of general expenses are the following:		
Uniforms	2 256 238	3 035 793
Bank charges	2 847 203	1 329 647
Community facilitation	4 816 842	4 332 507
External audit fees	2 129 265	3 681 503
Fuel and oil	17 228 174	14 554 794
Insurance	4 229 739	5 175 394
Indigent services rendered	6 064 166	4 785 389
Legal fees	13 487 768	1 588 783
Licences and permits	1 853 186	1 571 994
Membership fees	4 680 167	3 827 982
Postage	1 525 332	1 274 670
Printing and stationery	5 532 454	3 808 796
Programming material	6 928 995	4 159 428
Publicity	771 046	1 650 994
Rental of equipment and vehicles	14 794 945	8 082 419
Waste disposal	3 729 884	3 285 861
Skills levy	4 129 803	3 686 647
Telephone	1 960 572	1 789 645
Research fund	781 913	1 337 451
Sport development	1 005 298	1 152 367
Stores and materials	1 145 494	1 120 981
Subsistence and travelling	2 172 532	1 714 048
Valuation roll	1 335 172	5 142 299
Advertisements	2 467 882	1 618 941
Small tools	778 800	1 197 712
Bursaries	871 003	941 153
Consultancy	3 715 721	6 763 512
Sundries	20 739 727	9 717 981
Total	133 979 321	102 328 691

38. RELATED PARTY TRANSACTIONS

There were no related party transactions that occurred during the year.

39. CHANGE IN ACCOUNTING ESTIMATE

A change in the estimated useful lives of certain property, plant and equipment, intangible assets and investment properties that were reaching their estimated useful lives has resulted in the following change in depreciation.

Depreciation according to initial estimated useful lives	103 534 131	8 280 529
Depreciation according to re-estimated useful lives	12 546 141	1 697 856
Reduction in depreciation	90 987 990	6 582 674

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
40. PUBLIC CONTRIBUTIONS		
John Ross Interchange	49 658 470	-
IDZ	10 877 362	-
Other	799 258	243 335
	61 335 090	243 335

41. CONTRACTED SERVICES		
Cleaning Services	2 397 455	1 876 985
Meter reading	8 205 380	6 769 650
Security	24 975 304	20 901 872
Sewerage and Waste Disposal	8 343 993	8 063 454
Outsourcing	56 718 812	54 489 093
Total	100 640 944	92 101 054

41. Reclassification	2014	2013
	R	R

Property rates and interest earned on outstanding debtors

An amount of R1 610 015 was re classified from Interest Earned - Outstanding debtors to Property Rates - Penalties imposed and collection charges . There was no overall effect on surplus/deficit.

Interest Earned	1 778 337
Reclassification of Property Rates - Penalties imposed and collection charges	(1 610 015)
Interest earned Outstanding debtors	168 322
Property rates	238 006 738
Reclassification of Property Rates - Penalties imposed and collection charges	1 610 015
Property rates	239 616 753

Contracted services and general expenses

The municipality previously classified consultancy fees under contracted services. These costs are now included under general expenses. There is no overall effect on surplus/deficit.

General expenses	95 565 179
Consultancy fees	6 763 512
General expenses	102 328 691
Contracted services	98 864 566
Consultancy fees	(6 763 512)
Contracted services	92 101 054

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

42. FINANCIAL RISK MANAGEMENT

Exposure to interest rate, credit risk and liquidity risks arise in the normal course of the municipality's operations.

Financial Risk Management

The municipality has exposure to the following risks from its use of Financial Instruments:

Liquidity Risk

Interest Rate Risk

Credit Risk

This note presents information about the municipality's exposure to each of the above risks and the municipality's objectives, policies and processes for measuring and managing those risks. Further quantitative disclosures are included throughout these financial statements.

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by it, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

	2014	2013
	R	R
Categories of Financial Instruments		
Financial Assets		
Investments and Receivables		
Call Investments	40 000 000	40 000 000
Cash and cash equivalents	364 509 347	202 775 493
Long-term receivables	159 027	356 704
Trade receivables	316 529 263	239 462 934
Other receivables	32 009 956	26 493 585
	753 207 593	509 088 716
Liabilities and Creditors		
Long-term liabilities	601 727 228	731 473 690
Trade and Other payables	339 257 657	185 067 011
	940 984 885	916 540 701
Fair Values versus Carrying Amounts		
The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:		
	Carrying Amount	Fair Value
	2014	2014
Long-term receivables	159 027	356 704
Call investments	40 000 000	40 000 000
Cash	364 509 347	202 775 493
Trade receivables	316 529 263	239 462 934
	32 009 956	26 493 585
Total	753 207 593	509 088 716

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Long-term liabilities	601 727 228	731 473 690
Trade and other payables	339 257 657	185 067 011
Total	940 984 885	916 540 701

42.1 Liquidity Risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The municipality's approach is to ensure that sufficient liquidity is available to meet its liabilities when due. The municipality uses cash flow forecasts to ensure that sufficient cash is available to meet expected operating expenses. This is guided by working capital and revenue enhancement policy

The debtors collection rate of the municipality also ensures that sufficient cash is available to cover working capital. The average collection rate of the municipality is 99.17% (2013: 99.17%).

The following are contractual liabilities of which interest is included in borrowings:

	Up to one year	1 - 5 years	> 5 years
Borrowings	197 299 450	855 504 850	116 829 519
Trade and Other payables	278 555 247	-	-
	475 854 697	855 504 850	116 829 519

42.2 Interest rate risk

The municipality's policy is to manage interest rate risk so that fluctuations in variable costs do not have a material impact on surplus. All long-term debt are at fixed rates.

42.3 Credit Risk

Credit risk is the risk of financial loss to the municipality if customers or counterparties to financial instruments fail to meet their contractual obligations. Credit risk consists mainly of cash deposits, cash equivalents and trade debtors.

Investments

The municipality limits its exposure to credit risk by investing with only reputable financial institutions and within specific guidelines set in accordance with Council's approved investment policy.

Receivables

Receivables are amounts owing by consumers and are presented net of impairment loss. The municipality has a credit control policy in place and the exposure to credit risk is monitored continuously. The municipality establishes an allowance for doubtful debts that represents its estimate of anticipated losses in respect of receivables. Payments of accounts of consumer debtors who are unable to pay, are negotiated in line with the 'credit control policy and terms of payments are agreed upon with the consumer.

Cash and cash equivalents

The municipality limits its exposure to credit risk by investing with only reputable financial institutions and within specific guidelines set in accordance with Council's approved investment policy. The municipality does not consider there to be any significant exposure to credit risk.

City of uMhlathuze
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk as at 30 June was:

	2014	2013
	R	R
Call investments	40 000 000	40 000 000
Cash and cash equivalents	364 509 347	202 775 493
Long-term receivables	159 027	356 704
Trade receivables	316 529 263	239 462 934
Other receivables	32 009 956	26 493 585
	<u>753 207 593</u>	<u>509 088 716</u>

43. Budget Information

43.1 Explanation of variances between approved and final budget amounts

The reason for the variance between approved and final budget is mainly due to the adjustments budget approved by Council on 25 February 2014.

43.2 Explanation of variances greater than 10%: final budget and actual amounts

43.2.1 Statement of financial position

CURRENT ASSETS

The cash available was much higher than anticipated due to underspending of capital as well as conditional grants

CURRENT LIABILITIES

The increase in actual amount is due to high amount of unspent conditional grants at year-end.

43.2.2 Statement of financial performance

REVENUE

Rental of facilities equipment

Revenue increased due to delay in sales of some properties hence leasing continued.

Interest Earned - external investments

The variance is the result of increased in funds surplus funds available for investments during the year.

Interest Earned - outstanding debtors

The variance is due to property rates penalties being included under interest on outstanding debtors on the budget whilst in the financial statements it is reflected under property rates.

Government Grant and Subsidies

The variance is the result of underspending in grant funded projects and therefore revenue could not be recognised due to conditions not being met.

City of uMhlatuze
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

43. Budget Information (continued)

Fines

The variance is due to the initial recognition of all traffic fines in line with the requirements of IGRAP1.

Public Contributions

The variance is mainly due to the infrastructure handed at the John Ross Interchange that was handed to council during the year.

Other Income

The variance is the result of high revenue received on extension fees for engineering contribution during the year.

EXPENDITURE

Debt impairment

The variance is the result of an increase in the allowance for doubtful debts during the year.

**Depreciation and
amortisation**

This material difference can not be a charge against Rates and General as per Municipal Finance Management Act Circular number 58 section 4.3 read together with Directive 7 of GRAP 17. Therefore it can not be a budgeted cost, but instead is a charge against the Statement of Financial Performance which in effect reduces "Surplus" and charged against Revaluation Reserve which is included in Net Asset (Equity).

Collection costs

The variance is due to decreased spending on operational grants during the year.

Conditional grant expenditure

The variance is due to increased spending on operational conditional grants during the year.

**Grant and
subsidies paid**

The variance is due to less grant in aid paid that anticipated at budget stage.

43.2.3 Cash flow statement

The variance is mainly due to increase in revenue due to engineering contributions and also underspending of capital expenditure which led to increase in cash and cash equivalents.

43.2.4 Capital expenditure

The variance is the result of underspending on capital projects mainly due to delays in awarding of tenders. Included in the underspent amount of R213 million is an amount of R120 million which relates to a tender objection on a rural sanitation project. The balance of R93 million was attributable to poor planning and execution of capital projects.

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APPENDIX A: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014

EXTERNAL LOANS	Interest Rate	Loan #	Redeemable	Balance at 30/06/2013	Received during the year	Redeemed/ Written off during the year	Balance at 30/06/2014
				R	R	R	R
LONG-TERM LOANS							
Development Bank of SA	12.00%	10593	2018/03/31	3 884 343		607 365	3 276 978
Development Bank of SA	12.00%	10594	2017/03/31	1 606 673		334 461	1 272 212
Development Bank of SA	12.00%	10595	2017/03/31	6 032 318		1 255 745	4 776 573
Development Bank of SA	12.00%	10596	2017/03/31	1 403 740		292 216	1 111 524
Development Bank of SA	14.50%	10597	2018/03/31	5 046 390		748 542	4 297 848
Development Bank of SA	12.00%	10600	2017/03/31	2 737 708		569 908	2 167 800
Development Bank of SA	12.00%	10601	2017/03/31	1 627 232		338 740	1 288 492
Development Bank of SA	12.00%	10602	2017/03/31	411 614		85 686	325 928
				22 750 018	-	4 232 663	18 517 355
INCA	13.95%	UMHL	2019/06/30	9 652 565	-	1 266 362	8 386 203
Development Bank of SA	16.16%	11665	2010/12/31	-	-	-	-
Standard Bank	7.59%	357636	2015/03/31	30 498 359	-	11 530 560	18 967 799
Nedbank	5.75%	05/7831	2016/06/30	33 472 656	-	10 561 271	22 911 385
INCA	8.75%		2019/06/28	153 665 299	-	20 459 471	133 205 828
Development Bank of SA	11.70%	103170	2018/12/31	167 636 054	-	23 239 908	144 396 146
Development Bank of SA	6.75%	103494	2019/06/30	23 704 818	-	3 325 802	20 379 016
Development Bank of SA	11.57%	103494	2019/06/30	72 683 184	-	8 981 863	63 701 321
Nedbank	11.26%	05/7831/2	2019/12/31	144 098 661	-	15 996 315	128 102 346
Nedbank	9.59%	7831003878/3	2022/06/17	73 312 074	-	5 440 856	67 871 218
Nedbank	10.13%	7831003878/4	2024/06/28	-	100 000 000	(27 753)	100 027 753
				708 723 670	100 000 000	100 774 655	707 949 015
TOTAL EXTERNAL LOANS				731 473 688	100 000 000	105 007 318	726 466 370

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APPENDIX B: ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2014

	Cost/ Revaluation					Accumulated Depreciation					Carrying Value	
	Opening Balance	Transfers	Additions	Under construction	Disposals	Closing Balance	Opening balance	Additions	Transfers	Disposals		Closing balance
Land	538 179 950	(3 203 000)	-	-	-	534 976 950	-				-	534 976 950
	538 179 950	(3 203 000)	-	-	-	534 976 950	-	-	-	-	-	534 976 950
Infrastructure												
Electricity	560 547 816	-	28 490 576	29 302 119		618 340 511	206 528 279	23 217 849			229 446 127	388 594 383
Roads	3 260 874 516	-	27 093 019	7 223 886		3 295 191 421	2 150 076 749	70 196 897			2 220 273 646	1 074 917 776
Sewerage	1 390 292 161	-	16 231 445	44 931 236		1 451 709 822	777 691 748	38 058 136			815 749 884	635 704 958
Water	4 335 408 016	-	26 913 885	51 272 363		4 413 339 284	3 292 209 659	62 656 821			3 354 866 480	1 058 727 784
Security measures	17 621 956	-	161 375	-		17 783 331	13 180 646	2 258 465			15 439 111	2 344 221
Pedestrian Malls	23 478 790	-	223 009	-		23 701 799	19 052 838	554 593			19 607 431	4 094 368
Airport- taxiways	360 591	-	-	-		360 591	235 338	18 017			253 354	107 237
	9 588 583 845	-	99 113 311	132 729 605	-	9 820 426 760	6 458 975 257	196 960 776	-	-	6 655 936 034	3 164 490 727
Community Assets												
Beach development	32 453 404		32 897	2 302 610		34 788 911	11 874 183	1 069 072			12 943 255	21 845 657
Cemeteries	17 454 035		675 423	-		18 129 458	3 224 991	639 621			3 864 612	14 264 846
Clinics	259 212		147 900	-		407 112	95 706	18 741			114 447	292 665
Community centres	13 825 489		934 252	2 181 629		16 941 370	6 702 277	669 097			7 371 375	9 569 996
Fire stations	2 535 790		734 450	1 149 397		4 419 637	786 176	92 147			878 323	3 541 314
Land Main Investments	54 541 111		-	-		54 541 111	8 228 472	1 367 407			9 595 880	44 945 231
Libraries	9 952 206		239 808	342 395		10 534 409	6 564 094	395 197			6 959 291	3 575 118
Museum	-		-	-		-	2 755	-			2 755	(2 755)
Parks & Gardens	11 124 100		1 941 239	-		13 065 339	10 383 465	102 577			10 486 042	2 579 297
Public Conveniences	8 057 133		-	-		8 057 133	6 200 075	551 430.78			6 751 070	1 305 627
Recreation facilities	51 211 391		6 110 382	465 480		57 787 253	25 887 990	2 419 936			28 307 926	29 479 327
Stadiums	85 791 063		140 350	110 466		86 041 879	9 892 001	3 432 902			13 324 903	72 716 976
	287 204 934	-	10 956 701	6 551 977	-	304 713 612	89 842 185	10 758 129	-	-	100 600 313	204 113 297

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APPENDIX B: ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2014 (continued)

	Cost/ Revaluation					Accumulated Depreciation						
	Opening Balance	Transfers	Additions	Under construction	Disposals	Closing Balance	Opening balance	Additions	Transfers	Disposals	Closing balance	Carrying Value
Housing	78 659 014			5 492 718		84 151 732	7 105 015	1 197 030			8 302 044	75 849 688
	78 659 014	-	-	5 492 718	-	84 151 732	7 105 015	1 197 030	-	-	8 302 044	75 849 688
Other Assets												
Bins & Containers	4 888 697		1 128 049	-	-	6 016 746	3 868 652	354 580		-	4 223 232	1 793 515
Buildings	176 065 515		7 876 343	5 104 934	-	189 046 792	80 327 665	8 315 176		-	88 642 841	100 403 950
Emergency equipment	1 183 439		135 041	-	-	1 318 480	201 713	120 643		-	322 356	996 123
Furniture and fittings	10 528 193		1 968 967	-	-	12 497 160	7 366 175	1 005 393		-	8 371 461	4 125 591
Land Main Investments	69 169 075		-	-	-	69 169 075	27 957 404	1 925 839		-	29 883 243	39 285 832
Motor vehicles	114 670 477		11 281 812	-	-	125 952 289	77 963 588	12 800 239		-	90 763 827	35 188 463
Office equipment	31 379 413		5 453 831	-	(56 085)	36 777 159	19 169 258	3 552 534		(14 579)	22 707 212	14 069 948
Plant and equipment	47 897 621		12 707 457	-	(8 226)	60 596 851	33 258 605	3 921 704		(6 631)	37 173 677	23 423 174
Watercraft	352 552		-	-	-	352 552	281 793	62 277			344 070	8 482
	456 134 982	-	40 551 500	5 104 934	(64 311)	501 727 105	250 394 853	32 058 385	-	(21 211)	282 432 028	219 295 077
Total	10 948 762 725	(3 203 000)	150 621 511	149 879 234	(64 311)	11 245 996 159	6 806 317 310	240 974 319	-	(21 211)	7 047 270 419	4 198 725 743
Heritage Assets												
Paintings & Art galleries	2 488 594		235 100			2 723 694	-				-	2 723 694
Total	2 488 594	-	235 100	-	-	2 723 694	-	-	-	-	-	2 723 694

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APPENDIX C: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

2013 Actual Income	2013 Actual Expenditure	2013 Surplus/ (Deficit)		2014 Actual Income	2014 Actual Expenditure	2014 Surplus/ (Deficit)
R	R	R		R	R	R
227 912	66 703 037	(66 475 125)	Executive and Council	1 032 846	88 714 641	(87 681 7811)
19 916 190	166 946 833	(147 030 643)	Corporate Services	30 166 557	194 689 090	(164 522 533)
317 161 102	60 856 308	256 304 794	Budget & Treasury Office	322 143 168	96 190 988	225 952 170
2 439 002	28 148 918	(25 709 916)	Planning & Development	2 271 244	37 809 949	(35 538 705)
9 243 777	28 015 986	(18 772 209)	Health	14 505 985	35 592 824	(21 086 839)
6 270 166	69 288 891	(63 018 725)	Community & Social Services	14 979 092	84 605 864	(69 626 772)
9 042 400	7 613 699	1 428 701	Housing	12 161 228	9 050 975	3 110 253
12 599 882	87 118 022	(74 518 140)	Public Safety	62 501 202	157 883 279	(95 382 077)
6 025 839	128 491 879	(122 466 040)	Sport & Recreation	8 429 929	154 892 722	(146 462 793)
69 353 066	85 715 460	(16 362 394)	Waste Management	88 036 747	95 420 491	(7 383 744)
145 765 860	171 637 301	(25 871 441)	Waste Water Management	163 509 025	172 576 518	(9 067 493)
11 194 227	224 631 916	(213 437 689)	Road Transport	23 518 190	255 225 298	(231 707 108)
340 215 099	420 795 711	(80 580 612)	Water	394 412 320	392 000 206	2 412 114
1 163 895 102	1 034 275 558	129 619 544	Electricity	1 402 627 672	1 137 757 973	264 869 699
2 755 260	344 956	2 410 304	Other	538 473	660 446	(121 973)
2 116 104 884	2 580 584 475	(464 479 591)	Sub-total	2 540 833 678	2 913 071 289	(372 237 611)
(43 339 917)	(456 399 536)	413 059 619	Less: inter-dep charges	(46 521 448)	(616 664 631)	570 143 183
2 072 764 967	2 124 184 939	(51 419 972)	Total	2 494 312 230	2 296 406 658	197 905 532

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APPENDIX D: DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Name of organ of state	Quarterly Receipts				Total 2013/14 as per AFS	Quarterly Expenditure				Total 2013/14 as per AFS	Grants and Subsidies delayed/ withheld				Total 2013/14 as per AFS	Reason for delay/ withholding of funds	Compliance with grant conditions in terms of grant frameworks Yes/ No	Reason for non-compliance	for
		Sep 2013	Dec 2013	Mar 2014	Jun 2014		Sep 2013	Dec 2013	Mar 2014	Jun 2014		Sep 2013	Dec 2013	Mar 2014	Jun 2014					
Museum subsidy	KZN - Dept of Education and Culture	-	-	284 000	-	284 000	340 421	297 906	384 396	369 716	1 392 439	-	-	-	-	-	None	Yes		
Primary health subsidy	KZN - Dept of Health	-	3 438 800	1 719 400	4 486 600	9 644 800	5 093 223	5 427 250	5 974 362	7 575 622	24 070 456	-	-	-	-	-	None	Yes		
Esikhwini Hostel Refurbishment	KZN - Dept of Housing	305 465	334 464	344 373	393 563	1 377 865	531 069	754 539	2 200 542	1 586 970	5 073 120	-	-	-	-	-	None	Yes		
Housing Operational Account	KZN - Dept of Housing	2 941 552	1 471 830	3 498 505	40 996	7 952 883	899 855	1 017 104	2 466 232	2 811 513	7 194 704	-	-	-	-	-	None	Yes		
Public Internet Access - libraries	KZN - Dept of Library Services	720 000	-	-	-	720 000	131 807	154 141	120 028	108 377	514 354	-	-	-	-	-	None	Yes		
Library subsidies	KZN - Dept of Library Services	5 846 000	-	-	-	5 846 000	3 780 077	4 114 502	4 694 693	6 906 793	19 496 066	-	-	-	-	-	None	Yes		
Sport and Recreation	KZN - Dept of Sport and Recreation	-	-	-	528 236	528 236	-	-	-	-	-	-	-	-	-	-	None	Yes		
Upgrade of Alkandstrand Beach	KZN - Dept of Economic Development and Tourism	-	-	400 000	-	400 000	-	-	-	-	-	-	-	-	-	-	None	Yes		
Traffic Calming	KZN - Dept of Transport	-	-	-	-	-	-	-	123 010	44 269	167 279	-	-	-	-	-	None	Yes		
Land Use Management	KZN - Dept of Co-Operative Governance and Traditional Affairs	-	-	-	-	-	34 967	-	11 423	-	46 390	-	-	-	-	-	None	Yes		
Corridor Development	KZN - Dept of Co-Operative Governance and Traditional Affairs	-	-	-	-	-	39 680	58 593	-	-	98 273	-	-	-	-	-	None	Yes		
Urban Development Framework Plan	KZN - Dept of Co-Operative Governance and Traditional Affairs	-	-	-	-	-	-	166 500	55 419	15 124	237 043	-	-	-	-	-	None	Yes		
Extension to Richards Bay Airport	KZN - Dept of Co-Operative Governance and Traditional Affairs	-	-	-	-	-	-	-	53 390	-	53 390	-	-	-	-	-	None	Yes		
Tourism Development	KZN - Dept of Co-Operative Governance and Traditional Affairs	-	-	-	-	-	-	45 740	-	2 149 924	2 195 664	-	-	-	-	-	None	Yes		
New and Upgrading of Informal Trading Stalls	KZN - Dept of Co-Operative Governance and Traditional Affairs	-	-	-	-	-	219 467	1 111 627	1 320 083	2 728 652	5 379 829	-	-	-	-	-	None	Yes		
Massification Grant	KZN - Dept of Co-Operative Governance and Traditional Affairs	-	-	-	-	-	-	112 548	-	-	112 548	-	-	-	-	-	None	Yes		

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APPENDIX D: DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Name of Grant	Name of organ of state	Quarterly Receipts				Total 2013/14 as per AFS	Quarterly Expenditure				Total 2013/14 as per AFS	Grants and Subsidies delayed/ withheld				Total 2013/14 as per AFS	Reason for delay/ withholding of funds	Compliance with grant conditions in terms of grant frameworks
		Sep 2013	Dec 2013	Mar 2014	Jun 2014		Sep 2013	Dec 2013	Mar 2014	Jun 2014		Sep 2013	Dec 2013	Mar 2014	Jun 2014			
Institutional Support (Water conservation and demand management project)	Nat - Dept of Water Affairs	-	-	-	-	-	264 800	175 888	133 559	137 928	712 175	-	-	-	-	-	None	Yes
Cleanest Town Award	Nat - Dept of Water Affairs	-	-	-	-	-	26 619	29 818	84 266	37 859	178 562	-	-	-	-	-	None	Yes
Water Services Operating Subsidy	Nat - Dept of Water Affairs	937 000	1 250 000	5 023 000	-	7 210 000		2 613 330	2 632 338	1 964 402	7 210 070	-	-	-	-	-	None	Yes
Municipal Infrastructure Grant	National Treasury	22 620 000	38 068 000	26 045 000	-	86 733 000	14 206 676	10 890 616	11 345 943	64 738 870	101 182 105	-	-	-	-	-	None	Yes
Financial Management Grant	National Treasury	1 550 000	(374 000)	-	-	1 176 000	326 462	784 762	566 369	988 133	2 665 726		(374 000)	-	-	(374 000)	Grant unspent as at 2011/2012	Yes
Municipal Systems Improvement Grant (MSIG)	National Treasury	890 000	-	-	-	890 000	29 027	220 659	221 252	419 063	890 000	-	-	-	-	-	None	Yes
Equitable Share	National Treasury	78 953 000	63 835 000	47 596 000	-	190 384 000	-	-	-	-	-	-	-	-	-	-	None	Yes
Extended Public Works Programme	National Treasury	400 000	-	600 000	-	1 000 000	908	1 347	803 316	190 514	996 085	-	-	-	-	-	None	Yes
Infrastructure Skills Development Grant	National Treasury	2 000 000	-	5 000 000	-	7 000 000	1 423 790	1 406 842	2 530 151	1 849 870	7 210 652	-	-	-	-	-	None	Yes
Energy Management	National Treasury	-	-	-	-	-	815 412	349 345	21 934	2 203 881	3 390 572	-	-	-	-	-	None	Yes
Rural Household Infrastructure	National Treasury	-	-	4 000 000	-	4 000 000	-	-	-	-	-	-	-	-	-	-	None	Yes
Municipal Water Infrastructure	National Treasury	-	-	17 547 000	-	17 547 000	-	527 387	4 254 985	530 942	5 313 313	-	-	-	-	-	None	Yes
Electrification - Mandlazini, Mzingazi and Dumisani Makhaye Village	National Treasury	-	-	-	-	-	-	-	2 377 674	4 716 217	7 093 892	-	-	-	-	-	None	Yes
Restructuring Grant	National Treasury	-	-	-	-	-	60 000	91 645	45 595	9 344	206 584	-	-	-	-	-	None	Yes
Bus Shelters and Laybys	uThungulu District Municipality	-	-	-	-	-	-	-	-	110 043	110 043	-	-	-	-	-	None	Yes
Capacity Building	uThungulu District Municipality	-	-	-	-	-	-	1 742			1 742	-	-	-	-	-	None	Yes
Beach Festival	uThungulu District Municipality	-	55 000	-	-	55 000	-	-	55 000	-	55 000	-	-	-	-	-	None	Yes
Environmental Health Services	uThungulu District Municipality	-	-	-	4 856 400	4 856 400	2 517 092	2 613 579	2 971 157	3 420 540	11 522 368	-	-	-	-	-	None	Yes